Daily Report

East Europe

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New Customs Tariffs Said To 'Stifle Investment'

AU2005204595 Tirana KOHA JONE in Albanian 19 May 95 p 11

[Article by Emin Barci: "State Obstructs Investment Even by Law"]

[FBIS Translated Text] The parliament yesterday approved the latest law on customs tariffs. This is the tenth such law in three years. According to the new law, there will be three rates of customs duty.

The first rate will include all imported machinery and equipment coming for investment purposes. So far, 40 percent of the taxable value of goods arriving in Albania has come under the heading "machinery and equipment for investment," and this group has been exempted from having to pay duty. Such a concession has meant that private investments have been at a relatively high level. According to economists, the imposition of duty on this category will cause twofold damage in the investment field. First, there will be a decline in the level of investment as a whole; second, prices of domestically-produced goods will rise as a result of higher investment costs. It is true that in economically developed countries avoidance of customs and fiscal obligations is considered to be avoidance of the laws of the market economy. However, before reaching such levels of economic development, these countries pursued development policies or protectionism in order to give priority to their national economies. The changes in this area, although not leading to immediate price hikes, will, within a few months, stifle investment.

The tariff of 25 percent—that is the second rate—will be applied to the majority of consumer goods both industrial and agricultural. Even with this level of duty, it might be said that domestic agricultural production is unprotected from imported agricultural products, 90 percent of which, by volume, is subsidized by its countries of origin. Although these changes to the second rate will not exert any great influence on prices and living standards as a whole, the same cannot be said for individual groups of goods. So far, different tariffs of between 10 percent and 40 percent have been applied to different items. The new law gives blanket treatment to all the goods the government classes as mass consumer items.

The third rate of customs duty will be applied to all goods considered luxuries, on which a duty of 40 percent will be levied. It is worth emphasizing that the law has included such goods as sports equipment in this category. To an economist, sport means a product; to a doctor, it means health. To our government, it means a way of filling the treasury's coffers. The newly-approved law has clearly not been drafted on the basis of a macroeconomic study. At a time when the country needs a customs and fiscal system that will stimulate the development of the national economy, the government produces a law whose sole purpose is to fill holes in the state budget. The higher expenditure for the Defense Ministry, the Public Order Ministry, and especially the National Intelligence Service appeared unjustified; now the approval of this law shows that the current government thinks more about tightening the military dictatorship than about the country's economic development.

Prospects for Oil, Mining, Electricity Industries

AU2005204495 Tirana KOHA JONE in Albanian 19 May 95 p 11

[Article by Milto Baka: "We Have Found the Best Possible—But Not the Ideal—Solutions"]

[FBIS Translated Text] Abdyl Xhaja, minister of mineral resources and energy, said at his news conference with Albanian and foreign journalists and representatives of the diplomatic corps and the World Bank that there is still massive theft of electricity but that the electricity-generating industry has recovered from a state of collapse.

Minister Xhaja then assessed the electricity-generating network that was inherited from the previous system, which was planned in politically-motivated and uneconomic ways. This meant that a breakdown in one link of the chain inevitably led to chaos and collapse in dozens of others. Xhaja spoke about the exploitation of mining reserves, which were starved of investment for years. Let us not forget, he stressed, that the most modern Albanian industry is more than 25 years old and was also subject to the wave of destruction in 1990 and 1991.

The mining and electricity-generating industries have doubtless started to come to life again in the last three years, but with the pains of financial risk and unemployment. This has led specialists to outline a strategy to define specific ways in which these vital branches of the economy can be revived.

Oil retains its priority in the general strategy, the minister said, even though the decline in 1992 was drastic. Although an inventory showed 4,000 wells, losses were increasing. Under such circumstances, the Albpetrol corporation, although with 9,000 fewer workers, sought more than $72 million of investment from foreign firms in land and in offshore oil. I am optimistic about oil and see the future of Albania's development in higher gas and oil production, Minister Xhaja said.

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He nevertheless failed to express this optimism over the electricity-generating industry, although it is a powerful sector with a potential of 1,700 megawatts and with hydroelectricity. [sentence as published] Electricity is a national problem and the situation continues to be alarming. This is because despite efforts to organize controls of electricity consumption, there is obvious theft and abuse. Therefore despite the planned investment of $50 million in the network's rehabilitation, it will continue to be difficult to cope with the situation. The problem of heating remains acute in both towns and countryside. The population must be offered alternatives.

Another of the minister's conclusions was that the embargo against Serbia costs Albania more than $1.5 million a year in lost earnings from chrome. This loss has been felt all the more as a result of the collapse of chrome and ferrochrome prices on the international market. Efforts have nevertheless not been lacking to revive chrome, with a grant of 1.2 billion leks. Negotiations with four groups of foreign investors have also been valuable, and have given hope of the survival and gradual privatization of the chrome extraction and ferrochrome production industries.

Figures for the copper sector were not very encouraging in 1992, when the industry was totally paralyzed and suffering from lower profitability as a result of ore with a low copper content. Mr. Xhaja stressed that this industry has also been selectively exploited, with greater attention being devoted to reserves with a higher copper content. Funds have not been lacking for this sector either, especially the EU's contribution of $3.5 million in order to set the industry in motion, although $70 million is needed.

This three-year period has therefore served as a starting point for the revival of many branches of the mining and electricity-generating industries, or at least for arresting their decline. A legal framework which no doubt requires further amendment and improvement has been drafted. The fiscal system will also lead to an improvement of the situation in individual branches. Negotiations and agreements with foreign firms will also make it possible to expand cooperation and increase production.

Xhaja's conviction that we now have encouraging growth rates is perhaps exaggerated when, as he himself admits, this transformation involves risk and pain such as the entire Albanian economy is feeling.

Rugova on Rights Violations, U.S. Guarantees

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[FBIS Editorial Report] Tirana RILINDJA in Albanian on 21 May carries on page three a 1,300-word report by Behxhet Haliti on a news conference given by Ibrahim Rugova, president of the Republic of Kosova, in Prishtina on 19 May, entitled "Kosova Increasingly Affirmed as an International Entity."

Rugova is reported as speaking about police raids on homes and schools in Kosova, and stating that "the report by the Council for the Defense of Human Rights and Freedoms shows that 1,048 Albanians have been mistreated for various reasons in the last month alone." "What is most absurd," President Rugova said, "is that after five years three Albanians have been charged with participating in the reception of Senator Bob Dole, which took place in August 1990. These are: Muhamet Favziu from Prishtina, Beqir Berisha from Majac near Podujeve, and Sabri Makiqi from Prishtina."

Asked about the National Council organized by the Serbian Resistance Movement, to be held at Gracanica on 20 May, Rugova is reported as saying that "such gatherings exacerbate the situation and only increase tensions in Kosova. I would ask both Serbian intellectuals and Serbian politicians not to do such things in Kosova."

Asked by a journalist "what the international community is doing to change the status quo in Kosova," Rugova is reported as saying, "As far as Kosova is concerned, the threats of U.S. Presidents Bush and Clinton that the United States will not allow the conflict to spread to Kosova still stand, and this is very important to us."

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Chernomyrdin Visit Ends; Documents Signed

AU1905155695 Sofia Khorizont Radio Network in Bulgarian 1500 GMT 19 May 95

[FBIS Translated Text] The talks with the Russian governmental delegation visiting Bulgaria ended today with a ceremony at which 16 intergovernmental and interdepartmental agreements were signed.

Prime Ministers Chernomyrdin and Videnov signed a joint declaration on the development of economic cooperation between the Russian Federation and the Republic of Bulgaria.

The intergovernmental agreements mark the framework of cooperation in the sphere of nuclear power engineering, transportation, health protection, science and culture, customs, and so forth.

Three interdepartmental agreements were signed: between the Ministry of Industry and the Russian State Committee on Industrial Policy, between the two committees on standardization, and between the two Ministries of Education and Science.

A memorandum was signed on creating, in Sofia, a Balkan control center for managing the transit of Russian gas through Bulgarian territory. The establishment of a Bulgarian-Russian shareholders association on joint activity in the fuel-power supply complex has been agreed upon.

After the ceremony at which the documents were signed, Prime Ministers Videnov and Chernomyrdin gave a joint news conference.

Prime Ministers Assess Talks

AU1905170195 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 19 May 95

[FBIS Translated Text] This is how Prime Minister Zhan Videnov assessed the results of the talks with the Russian delegation led by Prime Minister Viktor Chernomyrdin at the joint news conference that took place after the ceremony at which 16 agreements with Russia were signed:

[Begin Videnov recording] The important thing is that we both are willing to reach a new level of developing bilateral relations, create new conditions, and advance in a new manner. I mean a broad range of cooperation in the spheres of power engineering, oil processing, data processing, telecommunications, investments, cooperation in space research, and so on.

We agreed to initiate joint ventures by companies and enterprises of the two countries. Consequently, our relations have attained a good legal-contractual foundation, which will facilitate our relations for many years in the future. The governments made many concessions to each other, and their businesslike and constructive meetings yesterday and today should send a clear signal to the business circles in both countries to develop their market positions and create new structures for cooperation, which should ensure maximum efficiency on the basis of equal partnership and mutual interest—as is appropriate between two friendly nations whose friendship dates back centuries. [end recording]

For his part, Viktor Chernomyrdin described the talks as especially productive and said: I think the main result is that it was again demonstrated in a convincing manner that both countries are interested in, and prepared to undertake energetic efforts aimed at activating, Bulgarian-Russian relations—first of all in the trade-economic sphere. We discussed the present state of bilateral cooperation in a frank manner and in a spirit of mutual understanding. We also discussed the prospects for expanding our cooperation on a new market foundation, and marked specific ways of resolving the remaining issues, the Russian prime minister said.

At this moment Mr. Chernomyrdin is presenting awards to Bulgarian war veterans. He will depart for Varna later this evening.

Russians Offer Help With Nuclear Program

AU1905133595 Sofia Khorizont Radio Network in Bulgarian 1300 GMT 19 May 95

[FBIS Translated Text] The concluding plenary talks between the official delegations of Bulgaria and Russia are just beginning at the Boyana Residence. Afterward there will be a ceremony for signing 15 documents that have been prepared.

Viktor Mikhaylov, Russian minister of atomic energy, will be signing two of the documents. The agreement on cooperation in nuclear power supply is not limited by a specific period of time. It will be valid as long as the six Kozloduy reactors continue to function, Minister Mikhaylov told the reporters.

The document points out that if Bulgaria decides to construct the Belene nuclear power station, Russia will certainly participate in the construction. We will construct the nuclear power station together, and if you want my personal opinion, I think you need a new nuclear power station, Viktor Mikhaylov said.

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Russian Attitude Toward NATO Membership Viewed

AU2205090795 Sofia DEMOKRATSIYA in Bulgarian 19 May 95 p 3

[Commentary by Ivan Ibrishimov: "Without Bear Hugs"]

[FBIS Translated Text] Asked by a Bulgarian journalist why Russia is against Bulgaria's joining NATO, a member of the visiting Russian delegation answered with a question of his own: Actually, why do you want to become a NATO member? This brief question contains two mutually supplementing elements: first, the fact that the Kremlin's imperial thinking does not allow the possibility of the former "Russian province across the Danube's" heading along its own road and really protecting its interests; and, second, ignorance about—or rather a refusal to acknowledge—the changes in Europe's political space and in the thinking of the people in our country.

The Russian politician should be given a short and clear answer: Bulgaria, as well as all other East European countries that succeeded in wriggling out of the Soviet hug, want to become NATO members first of all as a guarantee that the past will not be repeated, that there will not be a return to the time when we had no foreign or internal policy of our own; and that the Russian ambassador will not behave like a governor-general while our leaders behave like puppets, evoking scorn and contempt.

It is good that the Russian politician was at least benevolent enough to clarify that the issue of Bulgaria's eventual integration into NATO's structures "is an internal issue, and can be resolved only by Bulgaria and NATO." This is good because if relations between Bulgaria and Russia were really placed on a mutually beneficial basis, without turning the fraternal hug into a bear hug, our membership in NATO could only consolidate relations with Russia.

After all, even the democratically thinking people in Russia do not believe that restoration is impossible in Moscow.

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Zieleniec Discusses Relations With Germany

AU1905160495 Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 May 95 p 3

[Article by Berthold Kohler: "It Would Be Madness for Both States To Let This Continue To Simmer"]

[FBIS Translated Text] Prague, 18 May—German-Czech relations have started to move. For months, even years, Bonn and Prague ignored the historical, inherited burdens in relations, carelessly hoping that these burdens were not important or would somehow dissolve all by themselves. As a result, the smiles that they directed at each other in everyday political business became increasingly frosty. Most recently, however, the climate has warmed noticeably. The rigidity mellowed first in Prague, which was proved by President Havel's speech and the most recent statements by Prime Minister Klaus in Furth im Wald.

The Czech Republic wants once and for all to free relations with its German neighbor of the burdens of the past, which resulted from Nazi aggression and the expulsion of the Sudeten Germans, because the Czechs have identified the continuing discussion about the expellees and their demands as a serious political problem. "I believe it is a danger, a madness for both states if we simply let this matter continue to simmer," Czech Foreign Minister Josef Zieleniec says in an interview with this newspaper. "One day we and also the German democrats might then find out that this problem has run out of control." Accepting this challenge, however, requires politicians of both sides to have the "courage to oppose those who do not want an improvement in German-Czech relations, who feel uneasy about that."

The Czech foreign minister expresses the conviction that it is in the interest of both peoples and states no longer to deal with the past in political or juridical terms. It is unacceptable for him that 50 years after the end of the war, five years after the fall of the Iron Curtain, and in view of 50 years of democratic development in Germany one keeps returning to the past and "keeps" talking "about the threat posed by the Germans." This process brings the Czech Republic and also Germany into a situation that actually does not have a place in today's Europe. Even though the discussion about the past has been assuming constructive qualities most recently, Zieleniec primarily calls for "positive activities" in the present, which create "trust and mutual interest."

The foreign minister, who was born in 1946, says he does not want to claim that Czech policy toward Germany has been faultless; he could give an entire list of defects. However, the fact that now "slowly" the historical burdens are being dealt with at the political level is due to the initiative of the Czech side. "The Sudeten German issue was not put on the table as a specific problem during any official talks, for instance between myself and Foreign Minister Kinkel. This never was part of our agendas." Prague also became active because it did not see any activity on the German side over the past years. In Bonn, just as in Prague, the Sudeten issue is a complicated domestic policy problem; therefore, comments by the politicians differ. "However, I hope that we will soon get official statements by the official bodies."

To make progress in German-Czech relations, the minister thinks that one thing is indispensable: the historical and moral discussion must be separated from current political and legal problems. "As long as any discussion in our country gives the impression that the wheel of history is supposed to be turned back, nothing can be achieved." In this connection, the head of the Foreign Ministry in Prague points to the different postwar history of the neighboring countries, which has repeatedly given rise to "big" misunderstandings. While the Germans reconstructed Europe together with their Western neighbors, the Czechs were isolated from this discussion and were trained by the communist regime to feel hostility toward the West. The current views of many Czechs about Germany are, therefore, often similar to the ones shown in France or Belgium at the beginning of the 1950s. However, Zieleniec does not want to speak of "fear of Germany," but rather of a "lack of trust and knowledge." The Germans understood that they had to give their Western partners time. In the case of the Czech Republic, on the other hand, the foreign minister feels "impatience on the German side."

Zieleniec says that first a "certain line" must be drawn under the past. This he envisages to be a joint statement by both states, preferably by both governments, affirming that neither side intends to continue dealing with the past in political or juridical terms. "Of course, this statement must express what has happened between us since 1938." Looking for common words about the past is more important for him than one-sided statements and apologies. The minister is "certain that such a statement will pave the way for communication about the past."

The "package" to ensure progress in the reconciliation between Czechs and Germans includes the idea of a joint foundation. Zieleniec suggests that this foundation should promote projects "aimed at the past as well as at the future." This could be financed by Prague and Bonn, but also by Bavaria and Saxony. The foundation could also take in those financial means that the Federal Government intends to pay as compensation to Czech

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victims of Nazism. These funds would then be used to finance, for instance, hospitals and old people's homes for the surviving victims. Zieleniec points out that, upon his suggestion, the Czech Government decided a year ago to make a humanitarian gesture and give those affected what Germany has refused to give. Above all, the symbolic significance of the compensation and the recognition of the victims' suffering is important.

Of course, Zieleniec says, the "famous problem of citizenship" can also be discussed. He is convinced that it could be made easier for those "former fellow citizens" who so wish to get Czech citizenship. However, this is possible only if valid legal regulations are observed. "It is impossible for us to accept dual citizenship." After all, those who always insisted that they wanted to return did not have dual citizenship in 1938, either.

The Czech foreign minister also thinks rapprochement is possible regarding the controversy that constitutes the basic reason for the conflict between Czechs and Sudeten Germans: the moral assessment of the expulsion and the Benes Decrees. Most expellees are far more interested in the reestablishment of legal peace and the recognition of injustice committed than in the possibility of returning or getting their former property back. The minister says the fact that no final line has been drawn at the political and juridical level so far has blocked the entire discussion. "It is not that there is some linkage, but one is afraid of what might come afterwards." As soon as the political and juridical matter has been clarified, there will also be discussion at the moral level, "which will satisfy both sides." Therefore, he suggested the establishment of a Czech-German discussion forum in which the most varied discussion partners should talk about "whatever they like" under the aegis of the two governments. Asked whether he considers it possible that one day the Czech National Council will at least morally distance itself from the Benes Decrees, the minister said: "Various things are possible, but the way to them must be paved with caution." Where are the limits of Czech concessions? "Perhaps I should not answer this question just now," Zielenic says.

The deputy party chairman does not want to have differences of opinion overestimated regarding the policy toward Germany, as they have also come up in Zieleniec's party, the "Civic Democratic Party" (ODS). Given the Czech circumstances, the leading politicians are using almost identical language on this issue, Zieleniec states. This is the biggest success for Czech foreign policy. The foreign minister does "not" see "any major inconsistency on this matter" by Prime Minister Klaus, who denied just a few weeks ago that a special process of reconciliation is necessary between Germans and Czechs.

Bratinka Responds to Russian Embassy's Complaint

LD1905115695 Prague Radiozurnal Radio Network in Czech 1000 GMT 19 May 95

[FBIS Translated Text] Relations between the Czech Republic and Russia will always be based more on emotions than is healthy, Czech Deputy Foreign Minister Pavel Bratinka said today. He was responding to the Russian Embassy's complaint about an alleged campaign in the Czech media launched after President Vaclav Havel's protest against the participation of former Chechnya troops in the Moscow celebrations of the end of World War II.

Bratinka said that he was not surprised by the strength of the Russian reaction, but went on to note that Moscow had not officially protested at the Czech Foreign Ministry. He added that this is a conflict between the Russian ambassador and the media.

Holan on Army Personnel Trends, Numbers

LD2205083795 Prague Radiozurnal Radio Network in Czech 0700 GMT 22 May 95

[FBIS Translated Text] Czech radio has obtained the latest information on the personnel of the Czech army. The army has 28,000 career soldiers at present. Of these, almost 20,000 are officers and generals. Approximately 9,500 career soldiers joined the army in the last five years. The number of new noncommissioned officers and warrant officers is also growing. Defense Minister Vilem Holan has said this was especially important:

[Begin Holan recording] If we manage to maintain this developmental trend then, it seems, within two to four years, more than 50 percent career soldiers will have joined the army after 1990, i.e., they will be new soldiers. We need, however, to achieve a reversed ratio shortly after 2000, that is, 10,000 to 12,000 officers and 18,000 noncommissioned officers and warrant officers. This is a relatively big task, but judging by recent developments, one that can be achieved. [end recording]

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Kovac on Support for Mideast Peace, Palestinians

NC2105060795 Cairo MENA in Arabic 2015 GMT 20 May 95

[FBIS Translated Text] Cairo, 20 May (MENA)—Slovak President Michal Kovac has stated that relations with Egypt are good. They are satisfactory. He said: We realize Egypt's political clout in the Middle East. We know of President Husni Mubarak's international standing and Egypt's growing influence, not only in the Middle East, but also internationally. We like our relations with Egypt to serve as an example to be followed in developing our relations with other Arab countries.

The Slovak president described Egyptian policy on the region as highly efficient. In statements to be published by AL-AHRAM tomorrow, he said: The facts testify that the Camp David Accord between Egypt and Israel opened the road to the peace process between the Arabs and Israel. He said Egypt paved the way for the recent agreement between the Israelis and Palestinians.

The Slovak president commented on the outcome of President Husni Mubarak's visit to Slovakia in July of last year. He said the first result came in the form of two visits to Cairo by Slovak businessmen to introduce themselves. He added that during President Mubarak's visit he was invited to visit Egypt. We want to visit this year, he noted.

The Slovak president was asked about Slovakia's support for peace in the Middle East and whether there are specific measures to back the Palestinian Authority. He replied: As part of its foreign policy, Slovakia has declared its support for this issue. We have shown our readiness at various bilateral and multilateral meetings to implement specific measures to support the peace efforts.

He added: We have great interest in contributing to projects that help the Palestinian people quickly create a suitable atmosphere for the self-rule authority and the Palestinian economy to operate correctly. He noted that Slovakia is pleased to have a Palestinian diplomatic representation.

On Slovakia's views on solving the problem of Bosnia, since it is close to the Balkans, he said: We still feel the problem could be solved through dialogue and negotiations. The international community must adopt a unified position. If the arms embargo on both sides remains in force, the two sides will be compelled to rely on dialogue, not armed conflict.

Kovac, Meciar Receive Luxembourg's Poos

LD2205133295 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1300 GMT 22 May 95

[FBIS Translated Text] President Michal Kovac received Jacques Francois Poos, deputy prime minister and foreign minister of the Grand Duchy of Luxembourg in the primate's palace in Bratislava today. The president briefed his guest on the political and economic situation in our country, and confirmed the unchangeability of Slovakia's foreign policy, which is aimed at integration in all European structures.

The Luxembourg official was also received by Prime Minister Vladimir Meciar, who said that all attributes of democracy, stipulated by the Constitution, are being observed in Slovakia. The prime minister denied reports in which there are no conditions in our media for a plurality of opinion and that the media are discriminated against.

Bugar on Slovak-Hungarian Treaty, Language Law

AU1905132795

[FBIS Editorial Report] Bratislava NARODNA OBRODA in Slovak on 18 May on pages 1 and 2 carries a 1,000-word interview with Bela Bugar, chairman of the Hungarian Christian Democratic Movement (MKDH), by Zita Sujova entitled "Democracy Has No Nationality, Claims MKDH Chairman Bela Bugar." In the interview, the place and date of which are not given, Bugar links, among other issues, MKDH's support for the ratification of the Slovak-Hungarian treaty with the National Council's rejection of the planned law on the state language. On the same day, on page 2, NARODNA OBRODA carries a 200-word report by "cic," which quotes MKDH Chairman Bela Bugar as confirming "reports from parliamentary lobbies" about the possibility of Michal Kovac's replacement in the post of president.

In the NARODNA OBRODA interview, Bela Bugar says about the state language bill, recently drafted by the Ministry of Culture: "Should this law be passed, it will be a clear slap in the face of democratic institutions that cooperated with the Slovak Government—I am thinking of the basic interstate treaty [with Hungary] and the Framework Convention [on minority rights adopted by the Council of Europe]. It will be a victory for the Slovak National Party, which is constantly trying to lop off the rights of the Hungarian minority in Slovakia." Asked whether the MKDH would support the ratification of the Slovak-Hungarian treaty, were a vote on it to be taken tomorrow, Bugar says: "Yes. Not only the MKDH, but the entire Hungarian Coalition would support its ratification. Of course, by the time it will be

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tabled in parliament, the law on the state language could be passed, for example, or other things could happen that will influence our vote."

In his other replies, Bugar voices his conviction that the government coalition will not find in parliament the 90 votes necessary to dismiss President Kovac and refuses to support any new presidential candidate, should the MKDH receive such an offer from the Movement for a Democratic Slovakia (HZDS). He explains his participation in the 16 May Bratislava rally in support of President Kovac by the need to "prevent the rise of another dictatorship" and criticizes Slovak Television for its "one-sided and biased reporting" and for carrying only "information that suits the government coalition."

The report by "cic" on page 2 includes the following passage: "MKDH Chairman Bela Bugar confirmed reports, according to which there is talk in the parliamentary lobbies about the possibility of Michal Kovac being replaced in the post of president of the Slovak Republic. He also confirmed that the names of Father Andrej Hlinka; Marian Huska, deputy chairman of the National Council of the Slovak Republic; Constitutional Court Chairman Milan Cic, and Kosice Mayor Rudolf Schuster have been mentioned in this context."

Meciar Lauds Low Indebtedness, Views Russian Debt

LD1905213895 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1600 GMT 19 May 95

[Interview with Slovak Prime Minister Vladimir Meciar by reporter Jaroslav Reznik; on 19 May; place not given—recorded]

[FBIS Translated Excerpt] [Passage omitted] [Reznik] According to the Slovak news agency [TASR], at the beginning of this week Moody's Investors Service Inc. provided the Slovak Republic, represented by the National Bank of Slovakia, with the rating of foreign currency indebtedness at the Baa 3 investment level. Among other postcommunist countries, only the Czech Republic performed better. According to TASR, foreign currency indebtedness is low relative to GNP and to exports. Is this linked with the government's plans to increase foreign loans in the foreseeable future?

[Meciar] Achieving this rating means that the Slovak Government would be a welcome borrower. Everywhere else they would be overjoyed with such success. It is identical to the situation when we signed an association agreement with the European Union.

When we look at today's situation we have to remember that the country received three major blows in 1993. Our currency was established within six weeks after independent Slovakia was declared; for six months it was internationally isolated; there was an assault on the currency by means of the thousand crowns banknotes, which was much more widespread than is known today—in fact the preparations were much wider but these things will probably never be completely clear.

For instance, one night in 1993 [words indistinct] we had only $20 million, which was the entire reserve of the state. We thought hard what to do, and by the following morning we sold the whole tobacco industry in order to avoid foreign currency rationing.

Currently, our dollar reserves are larger than our loans. We can, therefore, think about possible investment projects. This is a huge step forward achieved only in two years.

I th[illegible]at with this rating the Slovak Republic gains free access to investment and capital markets. Large international investors will start coming to invest their money. This is the major benefit of this rating.

[Reznik] According to Mr. Mjartan, Slovak ambassador to the Czech Republic, the planned meeting between the two prime ministers has not been cancelled. On the contrary, the preparations for the meeting are underway. In your view, what stage of preparations has been reached? What will be the most important topics of the meeting?

[Meciar] There was much noise related to our meeting. Both Mr. Klaus and I have expressed our respective views on the matter. In the interest of smooth preparations, I have suggested that in public we keep silent about the content and stage of preparations, as well as about the date of the meeting.

Naturally, both sides are intensively seeking compromise. The compromise does not depend solely on the two prime ministers but also on many other people. It will be up to them to try to seek and support this compromise. We are engaged in a search for and in the verification of approaches to possible compromises in many areas of our bilateral relations.

[Reznik] [Passage omitted] What is your view on the ratification of the Slovak-Hungarian treaty by the Slovak National Council? Is this ratification process linked to the proposal on the conclusion of a Slovak-Hungarian agreement on cooperation on Slovak-Hungarian borders, which was discussed by the government on Tuesday?

[Meciar] [Passage omitted] The government hopes that the charter of ethnic minority rights [Council of Europe document Framework Convention for the Protection of National Minorities], in the form in which it was signed,

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will be discussed by the National Council at its June session. We hope that it will be ratified.

We have also launched a series of consultations in order to achieve broader parliamentary support for the treaty, so that it is not supported by the government coalition only. We are also engaged in a discussion within the government coalition, specifically between us and the Slovak National Party. We are discussing the importance and the content of the treaty as well as our stances on it. [passage omitted]

[Reznik] Recently, you took part in the Moscow celebrations marking the end of World War II. In Moscow you had 11 meetings with top officials. What do you consider to be the most important outcome of this visit to Moscow?

[Meciar] One unresolved matter is the mutual debt worth 1.5 billion [currency not specified]. We made some progress. Soon, $45 million should be forthcoming. This is revenue we did not originally include in the state budget.

Another issue is the payments system. Our balance of payments with the Russian market shows a $1 billion loss. We want to pay for this in goods.

The third focus of our interest is energy, particularly gas. By 1 January 1996, the so-called via shares expire. In line with this arrangement we were receiving gas from Russia free of charge, or, more accurately, the gas was a payment for investments made in the past. Beginning 1 January 1996 we will have to pay for gas and as yet there is no agreement to guarantee that the supplies will continue.

Another interesting issue concerning energy is the Mochovce project. Without Russian documentation it cannot be completed. [passage omitted]

Intelligentsia Organizations Criticize Kovac

LD1905140395 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1000 GMT 19 May 95

[FBIS Translated Text] Numerous organizations of the Slovak intelligentsia have sent in their viewpoints on the performance of President Michal Kovac.

Their statement says that current Slovak society is fragmented in its views, and dangerously polarized. It continues:

We are very sorry that one of the elements of the fragmentation of views and the polarization is in the person of the president of the Slovak Republic, relations with him, and his current activities.

The president has committed serious mistakes, reducing his authority as a person, as well as that of the institution of the presidency in a sovereign state. One of the main aims that we expressed in our policy statement prior to the birth of the independent Slovak Republic is the implementation of the idea of national conciliation, understanding, and cooperation among all those who are loyal to the Slovak Republic and are willing to devote their knowledge and experience to the strengthening of the sovereignty and independence of our state.

We decided at that time that we would support only those people and those activities that would lead toward these aims. Unfortunately, we have to note that we, who supported the candidature of Michal Kovac to the post of Slovak president, are deeply disappointed and ashamed. This is because the facts now reveal that the president has not coped with his post in a manner appropriate to the current times which are so exceptional for the Slovaks.

We are, therefore, asking President Michal Kovac to reassess his position and consider the moral justification and feasibility of his further remaining in the highest office of our state, which was expected for so long and redeemed by so many sacrifices.

[Signed] Permanent Conference of the Slovak Intelligentsia- Slovakia Plus; Society for National and Democratic Rebirth of Slovakia; Independent Association of Economists of Slovakia; Association of Visual Artists of Slovakia; Union of Slovak Youth; Stur's Society; Association of Slovak Writers; Council of Scientific Society; Association of Slovak Journalists; Congress of Slovak Intelligentsia; Congress of Slovak Science; and Society of Slovak Intelligentsia-Roots [Korene].

ZRS Calls On President To Resign

AU1905181595 Bratislava NARODNA OBRODA in Slovak 18 May 95 p 2

[TASR report: "J. Luptak: The ZRS Will Not Support Measures To Recall the President, but..."]

[FBIS Translated Text] Bratislava—The Association of Workers of Slovakia [ZRS] declares that it will continue to respect the Slovak Constitution and will not support or initiate any anticonstitutional measures to recall the president, although it is of the opinion that the president should step down voluntarily, says a statement released by the ZRS Central Council Presidium and handed to TASR by ZRS Chairman J. Luptak.

The Association cannot identify itself with the violation of legal norms by constitutional officials, including the president. For this reason, it supported the parliamentary vote on the OKO [Special Supervisory Body] report and took part in the vote of no confidence in the president,

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says the statement. "Some of the president's steps (the Slovak Information Service's [SIS] surveillance of the ZRS chairman, his reply to the letter from Mr. Orme, and his statements concerning the Slovak Republic's image abroad) were—and are—at variance with the Slovak Constitution and ZRS policy." In this context, the ZRS condemns unequivocally all of the pressure events being organized in support of President Kovac by the Christian Democratic Movement, the Democratic Union, and other entities.

Articles in HZDS Daily Against Kovac, Family

AU1905181195

[FBIS Editorial Report] Bratislava SLOVENSKA REPUBLIKA in Slovak, owned by the Movement for a Democratic Slovakia (HZDS), has recently published numerous documents, testimonies, and commentaries, whose apparent intention is to discredit President Kovac and members of his family. Since the 16 May issue, the daily has also reserved what appears to be a regular column for readers' letters denouncing the president and calling for his resignation.

Bratislava SLOVENSKA REPUBLIKA in Slovak on 4 May on page 1 carries a 200-word report entitled "SLOVENSKA REPUBLIKA Received Chief Police Inspector's Report." The report announces that, on 3 May, SLOVENSKA REPUBLIKA received "two serious documents concerning, among other things, the criminal activity of Michal K. Jr.," the president's son, and promises the publication of both documents in the daily's coming issues. The first of the two documents, the 6,000-word "Final Report of Chief Inspector Schropp from the Bavarian Criminal Office on the Investigation of Peter Krylov," President Kovac son's alleged accomplice, is published by SLOVENSKA REPUBLIKA in two installments, on 9 May on page 5 and on 10 May on page 10. The second document, the 6,000-word "Verdict Over Krylov," pronounced by a Munich court on 5 January 1995, is also published in two installments, on 11 May on page 8 and 13 May on page 5. Despite SLOVENSKA REPUBLIKA's claim that the documents concern the criminal activity of the president's son, a close reading reveals that "Michal K. Jr." is mentioned only in connection with one of several crimes for which Peter Krylov had been sentenced and that the defendant's own testimony serves as the only evidence. According to Krylov's testimony, the Sycko company, which is co-owned by Michal K. Jr., was involved in a fraudulent deal that cost Technopol, a Slovak foreign trade company, $2.3 million.

Bratislava SLOVENSKA REPUBLIKA in Slovak on 16 May on page 1 carries a 200—word report by SLOVENSKA REPUBLIKA entitled "Former Foreign Service Officer in England Engineer Jan S.: I Want To Testify About Michal K. Sr.'s Extra Work in London." The report quotes from a fax sent to the daily by "Engineer Jan S., a former longtime Czechoslovak foreign service officer, who specialized in the protection of the economic interests of former Czechoslovakia," in which he expresses his readiness to "testify about Mr. Michal K. Sr.'s extra work in the London branch of the Zivnobanka Bank," where Michal Kovac worked from 1967 to 1969. The fax states, among other things: "If the Slovak Information Service [SIS] director exempts me from my oath of silence, I am ready truthfully to testify about Michal K. Sr.'s stay in London in 1967-69. I believe that it is high time that the Slovak nation were truthfully informed about this gentleman's past."

Bratislava NARODNA OBRODA in Slovak on 18 May on page 1 carries a 200-word report by "NO" on SLOVENSKA REPUBLIKA's "plan to bring up the Michal K. Sr. affair, after it brought up the Michal K. Jr. affair." The NARODNA OBRODA report states, "we have managed to find out that this 'longtime foreign service officer' is the very same Jan S. whom the British secret service MI5 expelled from Great Britain in the late sixties because of espionage for the StB," the then Czechoslovak communist secret police. According to NARODNA OBRODA, "Jan S. has also been politically active since November 1989. His name is connected with a 1992 affair over the export of our weapons, with the Indiagate affair of 1993, and with the pontoon bridge affair of 1994. In the last local elections, he unsuccessfully ran for the post of mayor of Bratislava-Petrzalka."

Besides devoting much space to the alleged criminal activity of the president's son and announcing revelations about the president's own past, SLOVENSKA REPUBLIKA also publishes information that appears to be aimed at discrediting the president's wife. In its 18 May issue, on page 3, it carries a 600-word commentary by Juraj Fuchs entitled "President Against Democracy," which states: "The moral dimension of Michal Kovac's activities is illustrated not only by Michal K. Jr., but also by Professor Emilia Kovacova. Understandably, because of her representative functions, she is unable to discharge all her duties as professor. However, she does not shrink from collecting her salary.... Our 'independent' journalists writing about education facing a collapse have not yet managed to find out that, in another democratic state, the president would have to resign if his wife 'only' received pay for no work." The Fuchs commentary also denounces Michal Kovac as a former "nomenklatura member of the Communist Party of Czechoslovakia Central Committee," which allowed him to work abroad in the years 1967-69, and

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as a person "nurtured by the ideas of the Great October Socialist Revolution."

Since the parliamentary vote of no-confidence in President Kovac (5 May) and the subsequent HZDS call on President Kovac to resign (8 May), SLOVENSKA REPUBLIKA has also published a number of commentaries reiterating and endorsing the call. On 16 May, on page 3, for example, it carries a 600-word commentary by Andrej Petricek urging Michal Kovac "to step down in accordance with valid moral and social norms, as is customary in the civilized and democratic world when a politician loses the confidence of his voters."

The 16, 17, and 18 May issues of SLOVENSKA REPUBLIKA also reserve half a page each for readers' letters criticizing the president's actions, particularly his alleged collusion with the SIS in bringing down the Meciar-led government in March 1994, and calling for the president's voluntary resignation for dismissal.

President Rejects Calls To Resign

LD2005200995 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1930 GMT 20 May 95

[FBIS Translated Text] President Michal Kovac said in an interview with the VTV television station that if he obeys calls to resign he would be making an irresponsible step that could destabilize the situation. In his view, the public has enough information to judge who escalated the situation and why.

The president believes that he enjoys sufficient trust among citizens although he is aware that there are groups that do not like him.

Christian Social Union To Cooperate With HZDS

LD2105194695 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1630 GMT 21 May 95

[FBIS Translated Excerpt] The fourth congress of the Christian Social Union [Krestanskosocialna Unia—KSU] ended in Zvolen yesterday evening. [passage omitted]

Viliam Oberhauser was elected KSU chairman for the next two-year period by 154 of the 160 delegates. After the congress, our reporter Lubos Krno asked Viliam Oberhauser for an interview.

[begin recording] [Krno] What will your political line be and with which political goup do you hope to cooperate?

[Oberhauser] Our political line is based on Christian values and on the efforts to organize our society along these principles. We have offered our cooperation to the present government. The Movement for a Democratic Slovakia [HZDS], which is the strongest representative of the current government coalition, has accepted this offer. HZDS Deputy Chairman Huska, who was present at our congress, clearly said that the HZDS is ready to cooperate and create conditions in order to help implement our program approved by the congress.

[Krno] Does this mean that cooperation with the Christian Democratic Movement [KDH], based on Christian principles, is beyond consideration?

[Oberhauser] We have offered the KDH our cooperation but, for the time being, their attitude is negative. You can see for yourself that they prefer to organize street rallies rather than to join in and to help tackle specific problems. We want to cooperate in programs aimed at something and not to create programs against somebody. [end recording]

Kovac Addresses 'Message' To Rally Participants

AU1905160095 Bratislava SME in Slovak 18 May 95 p 4

["Message" from Slovak President Michal Kovac to the participants in a rally held on his behalf in Bratislava on 16 May: "Let Us Not Be Diverted From the Path of Truth"]

[FBIS Translated Text] I am speaking to you at this moment because our democracy is still fragile, sometimes perhaps even defenseless. But, I am speaking to you especially because democracy is associated with such basic values as right, morality, and justice. These values must be of interest to all of us, regardless of our social, religious, or political appurtenance. Democracy is not a facade or a backdrop, but a broad expanse for implementing the individual rights and freedoms of each citizen. Democracy without respect for basic values may slide into open or camouflaged totalitarianism. We must not allow this to happen! I am convinced that you came to this square in support of these pan-human values, but also out of concern that these values are disappearing from our lives.

Obviously, you realize that genuine democracy is possible only in a law-governed state and on the basis of a correct understanding of human nature. Man is, first and foremost, a being that seeks truth, tries to live in truth, and that expands his understanding of truth through dialogue. Allow me, in this context, to quote from Pope John Paul II's encyclical "Veritatis Splendor": "In the political sphere, it is necessary to emphasize that truthfulness in relations between rulers and citizens, clearness in public management, impartiality in public service, respect for the rights of political opponents, protecting the rights of the accused against superficial trials and sentencing, the correct and proper use of public funds, and turning down unclear and illicit funds to

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gain, maintain, and build up power at any cost are all principles that have their primary root—and also their extraordinary cogency—in the transcendental value of the individual and in the objective moral requirements for the functioning of states." Yes, implementing the aforementioned principles would also strengthen Slovak statehood significantly. Moreover, it is necessary to add that we really need calm and courage instead of fear and positive deeds instead of resignation. Fear is not only a bad counselor, it also distorts people's characters, deprives us of freedom and human dignity, and leads to the loss of meaning in our lives.

Therefore, I appeal to you: Let us not succumb to fear, let us restore the inner calm within ourselves and spread it to others. Let us boldly uncover deceit, large and small, let us defend truth and justice. Let us rid ourselves of crudity, heartlessness toward others, hatred, and intolerance. Let us open ourselves to honor and love, because only with humanity in our hearts will we find true happiness. Let us not be diverted from the path of truth and good, not by money, enticing promises, or threats. Faith in the victory of truth and good gives meaning to our lives.

As mottoes and mementos, I convey to you the words of Mahatma Gandhi, words that should define our attitudes and, first and foremost, our conduct:

"I want to abide by the truth."

"I do not want to bow my head to injustice."

"I want to be free from fear."

"I do not want to use violence."

"I want to have a positive attitude toward everyone."

Esteemed Fellow Citizens,

Thank you for supporting the basic values of freedom, democracy, and a law-governed state by taking part in today's rally and thank you for supporting decency, honesty, and integrity.

NRSR Head Reportedly Refused To Supply OKO Report

AU1905173995 Bratislava PRAVDA in Slovak 18 May 95 p 1

[TASR report: "He Did Not Accommodate the President"]

[FBIS Translated Text] Bratislava—The Slovak President's Office issued a statement to TASR yesterday in which it says, among other things, that even on the day of the National Council's [NRSR] debate on the Special Supervisory Body's [OKO] report—that is, on 5 May 1995—the president asked the NRSR chairman to send him by return mail the OKO report and the resolution passed, and to mail him a transcript of the stenographic record of the debate as soon as possible. As the NRSR chairman did not comply with this request, in issuing his point of view on 11 May 1995, the president was forced to proceed from the report published in the press. The president of the republic has made these facts known. The president did not receive a reply to these requests until 17 May. It is noteworthy that the reply from the NRSR chairman is dated 10 May, that is, the day prior to the president's address (!), but was mailed (!) on 15 May. The NRSR chairman did not accommodate the president of the republic in his reply and did not send him a record of the in camera part of the session. While he does not mention the OKO report itself, he did not send it, either; so the objection also pertains to this. He bases his negative stance on the NRSR's decision that no transcript of the session will be prepared.

The Slovak President's Office considers this decision to be illegal and at variance with the parliamentary rules of procedure.

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Ethnic Hungarian Leaders 'Harassed' in Vojvodina

LD1805164395 Budapest Kossuth Radio Network in Hungarian 1400 GMT 18 May 95

[FBIS Translated Excerpt] Ethnic Hungarian local leaders have been harassed in Vojvodina, at the border of eastern Slavonija. Our correspondent Szilveszter Varga reports from the scene:

[Varga] The Yugoslav police searched the homes of ethnic Hungarian leaders in Bogojevo this morning. The police appeared at the houses of the local mayor, the deputy mayor, two members of the local self-government, and two members of the Democratic Community of Vojvodina Hungarians. They searched for weapons even though they did not have a search warrant. None of the six Hungarian families offered any resistance, and the police did not find weapons anywhere. [passage omitted]

Official Blames West for Deadlock Over Minorities

LD1905201995 Budapest Kossuth Radio Network in Hungarian 1900 GMT 19 May 95

[FBIS Translated Text] Csaba Tabajdi, political state secretary at the Prime Minister's Office, has blamed the West for the deadlock over the settlement of the issue of national minorities in central and eastern Europe. Tabajdi addressed a Budapest conference organized for political decisionmakers and advisors to help improve understanding of the minority issues in the region.

According to Tabajdi, leaders of the surrounding states are not ready to make compromises with the minorities living in their countries—while the West, which is striving for stability, is trying to advise the same groups against achieving such rights, which are considered to be common in the West.

Army Chief Views Deployment, Modernization

LD1905210295 Budapest Kossuth Radio Network in Hungarian 1630 GMT 19 May 95

[Interview with Colonel General Janos Deak, commander of the Hungarian Army, by an unidentified studio announcer—live]

[FBIS Translated Excerpt] [Announcer] A few days ago a colleague of mine, speaking during a Hungarian Television program marking the anniversary of the end of the Warsaw Pact, suggested that the Hungarian Army is still deployed in accordance with the old setup—the majority of its weapons are guarding the country's western borders. Col. Gen. Deak?

[Deak] Let me recall that we used to have five motorized or tank brigades on the western borders. Correcting this started already back in the 1980s. We terminated three combined service brigades at the Zalagerszeg and Nagyatad garrisons and strengthened our forces in other areas of the country. Thus we have created a more balanced and even deployment. It is also well known that we have troops in considerable strength in both in Debrecen and Hodmezovasarhely.

[Announcer] [Passage omitted] Undeniably, tension now comes from the south and not the west, and the state of affairs regarding the relationship toward the East is also very interesting. As far as I know, the relationship between the Hungarian and Romanian armies is very good but the Hungarian-Romanian political relationship has gone from bad to worse. A few days ago a Romanian politician remarked, interestingly, that Hungary would like to become a NATO member in unison with Transylvania.

[Deak] Indeed, a correct, normal, and acceptable relationship has developed with the Romanian Army, a relationship befitting the armies of two neighboring countries. This good relationship is not new; it has been like this for years. [passage omitted]

As regards the Yugoslav crisis the Hungarian Army has always endeavored to ensure that the crisis does not spread to Hungarian territory, although there have been a great many violations of Hungarian airspace. [passage omitted]

The Hungarian Army has worked hard to ensure that we stay out of this crisis and at a distance from it. Naturally, we have always taken appropriate security measures. Intelligence has always been a priority, for example.

[Announcer] At one point a number of radar stations were deployed in the southern border regions. Are they still there?

[Deak] No. They were removed a long time ago. The Hungarian Army has not ordered any kind of higher-level alert or state of readiness, and there have been no troop reinforcements whatsoever. [passage omitted]

[Announcer] What kind of situation would force the Hungarian Army to take action, to order a higher level of alert?

[Deak] [passage omitted] We know precisely the position and movements of the sides involved in the conflict—partly from themselves, as we, the military leadership, are in correct and continuous contact with both Belgrade and Zagreb.

[Announcer] Does that mean that when, for example, the Croatian armed forces launched an attack in western Slavonia you practically knew in advance what was

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happening? Did Zagreb inform you about the kind of military maneuver they were undertaking?

[Deak] No, this is not what I meant. Our intelligence information comes from several sources and I would not like to speak about these. However, let me say that there are cooperating organs. We have good relations with the peacekeepers, with the European mission in Szeged. An AWACS plane in Hungarian airspace is continuously monitoring aerial activities, and we have contact with these too. In addition, all armies have the duty to know, and a vital interest in knowing, what happens in their surroundings.

The Hungarian Army, the Hungarian defense forces would take action—however limited that action might be—only if the border guards were to prove unable to deal with certain situations. [passage omitted]

[Announcer] [Passage omitted] According to an extreme view, so far, Hungary's future admission to NATO has meant, for the Hungarian Army, nothing more than an attempt by a few officers to learn some English. Holders of this view also argue that Hungary's membership in NATO will be an enormous burden on the Hungarian taxpayer.

[Deak] Our admission to NATO is a poliical and not a military matter. Nonetheless, membership will mean certain requirements regarding the country's armed forces. [passage omitted] The Hungarian Army's achieving of a degree of compatibility with NATO sufficient for membership is a long process. [passage omitted]

Hungarian commanders require a different kind of preparation, including the knowledge of foreign languages. [passage omitted]

[Announcer] When NATO entry and the level of preparedness of the Hungarian Army are discussed, it is the outdated military technology of Soviet origin—with special regard to the air force—that everyone refers to first and foremost.

[Deak] This is only partially true. Let me just refer to the fact that most of the former East German technology went to NATO member states and neutral countries, and the training of NATO officers on eastern technology took place in Hungary. So we cannot generalize here.

[Announcer] The reason we received, and can still get, equipment is that it is not too badly required elsewhere.

[Deak] Yes, but the MiG-29's, for example, can be used with some modification, if not in the frontline...

[Announcer, interrupting] To carry out border supervision tasks.

[Deak] Exactly, and one can also understand why they are used for that purpose.

As regards the Hungarian Army, earlier we referred to compatibility, which means a kind of technical adequacy. Now we would rather say interoperability—which means joint applicability, harmonized command systems. It also implies technically that in the command systems—the communication and air defense systems, as well as the land systems—fundamental changes are expected first and foremost in communication, in the logistical system. Thus, it is not the tanks or the guns that must be replaced first and foremost. [passage omitted]

However, we are planning to purchase armored transport vehicles from Russia as payment of part of its debt to Hungary. Our armored transport vehicles, manufactured in Hungary, are very old. The Russian BTR-80 vehicles are very good and modern, so we still have an eastern source. [passage omitted]

Second, we would very much welcome a stronger military element in Hungarian industry, and cooperation with western firms based on importing western military technology. [passage omitted]

The third direction of modernization is by all means from the West, because they possess the most advanced electronics. We want to buy air defense systems. Regional air space control, for instance, requires a modern radio technology system. We will obviously call for bids. However, the systems that are well known in the world today are western systems.

[Announcer] Do you agree with the former air force commander who said, when the MiG-29's were delivered, that they did not provide the final solution to the Hungarian Air Force?

[Deak] Our pilots like the MiG-29's a lot. They fly beautifully, although their electronics fall short of that of the most advanced western planes. [passage omitted]

This squadron will remain in service in Hungary for a couple of decades. They are slightly more expensive to run than an ideal western aircraft, but they will remain in service.

The other planes will serve for a while. We will fly them to the limit, as the boys say; and I can imagine that at the end of the decade or at the beginning of the next decade, we can import some more advanced aircraft. [passage omitted]

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Keleti: U.S. To Help Destroy Scud Missiles

LD2005191995 Budapest Kossuth Radio Network in Hungarian 1600 GMT 20 May 95

[FBIS Translated Excerpt] Hungary will make a gesture in advance of the NATO session in Budapest next week: It will begin to decommission offensive missiles. Thus said Defense Minister Gyorgy Keleti on his return from the United States. Karoly Levai reports.

[Levai] This month, with American help, Hungary will begin the destruction of the Scud missiles on its territory, including the guidance and control systems—Defense Minister Gyorgy Keleti announced on his return from the United States after a five-day official visit. Keleti said that for the first time, NATO would hold its assembly in Budapest, the capital of a country that is not a member of NATO. On this occasion we wish to signal that the Hungarian Army does not want to possess offensive weapons. The American side warmly welcomed the initiative, because, they said, Hungary was the first country to undertake this step, which in the American view, was an example for the neighboring countries to follow.

Gyorgy Keleti and William Perry, U.S. secretary of defense, have signed several agreements aimed at broadening bilateral military relations. [passage omitted]

According to the agreement on the exchange of information, Hungary will be able to participate in [U.S.] military industrial research and development. Keleti said the large American defense industry manufacturers want to participate in the privatization of the Hungarian defense industry. As an indication, he brought home, as a showpiece, an F-16 fighter aircraft—well, a miniature mock-up version.

Keleti Discusses Defense Industry Privatization

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[FBIS Translated Excerpt] [Announcer] Defense Minister Gyorgy Keleti is the guest of the program "The Week." Today we celebrate Army Day. It seems to me that the Hungarian defense industry has little reason to celebrate. How many people work in this sector and how large is its output?

[Keleti] It is very difficult to calculate, because the Hungarian Army—or rather the Defense Ministry—has its own joint-stock companies, which employ some 7 to 10 thousand people. There are also a number of enterprises that have defense contracts alongside civilian production—although orders from the defense establishment have decreased significantly.

[Announcer] In forint terms?

[Keleti] Orders from the Hungarian Army are relatively small in forint terms—approximately 2.5 billion forints—and orders to civilian enterprises are also about the same size. However, I am convinced that the military industry will emerge from its recession.

[Announcer] What is the value of the five military industrial enterprises that are to be privatized? What, speaking more specifically, can be sold here?

[Keleti] It is very difficult to ascertain this, because when these joint-stock companies were created, the Hungarian Army, through the Defense Ministry (?included) equipment and installations...

[Announcer, interrupting] So, let us just describe the scale.

[Keleti] I think we are talking about assets of about 40-50 billion forints. This is not a small sum of course, but we must not forget that these pieces of equipment and instruments are special ones. After all, for example, the refitting of a helicopter or a fixed-wing aircraft requires particularly expensive equipment and instruments. The big problem in this respect is that if the defense budget does not allow us to order from these firms, they can expect few contracts from elsewhere.

We also have an aim. In the coming years we would like to involve some of these joint-stock companies in the modernization of Hungarian military technology in such a way that the military equipment purchased is serviced and repaired in Hungary. In other words, we want to ensure that these firms have stable orders.

[Announcer] These are obviously questions of detail, because the Defense Ministry is currently looking for defense contractors to invest. So, to whom can we sell these defense industry firms that are fully or partially owned by the state? Are the lobbyists of large foreign defense manufacturers eagerly sitting waiting outside your office door?

[Keleti] Strange as it may sound, there is interest. There are not many sitting in front of my office door, but we must remember that just now the global defense market is rather depressed. Orders are few.

[Announcer] So, who is interested?

[Keleti] Well, there are American, Swedish, and French firms, and I could list some others, too. However, I do not wish to name any of them, because we do not want to give unfair advantage to any before concrete negotiations take place.

[Announcer] You have just returned from the United States. During your negotiations with U.S. Secretary for Defense William Perry, were the names of American

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firms interested in participating in the privatization of defense suppliers in Hungary mentioned?

[Keleti] No. Mr. Perry did not come out with ideas like this; but a few hours before returning home, I managed to meet representatives of a number of big military industry concerns, who made offers. However, I told them that matters like this are regulated, in Hungary, by the public bodies' purchase act and that, therefore, if we were to order military equipment, we would have to act in accordance with that act. Indeed, we expect to issue international tender notices this summer—and only after assessing the bids will we decide on the supplier.

[Announcer] Will it be a closed or open tender?

[Keleti] It will be an open tender, naturally, and our choice will depend not only on the Army's professional expectations regarding the performance of the military equipment in question but also the economic terms. Regarding the latter, I have in mind, for example, to ensure the possibility of a grace period before repayment begins, or to pay in instalments or pay for the equipment with Hungarian goods.

[Announcer] [Passage omitted] Examples abound in the world of corruption and bribery surrounding defense industry privatization and the awarding of large defense contracts. [passage omitted] What is the guarantee that in Hungary it will take place cleanly and without corruption?

[Keleti] Competitive tender is the guarantee for this—first of all to ensure that the terms of the tender are formulated in a way that the tenders can be assessed objectively and that the method of assessment reflects the economic and professional objectives of the Hungarian Army and not the intentions of certain lobbies. I think that, as regards these tenders, from the point of view of civilian control, transparency must be supremely possible and means must be provided for the Defense Committee of the National Assembly—and ultimately for parliament itself, for example—to be able to probe into these issues. After all, it is the parliament itself which must ultimately foot the bill for these investments.

Goncz: 'Hungary Does Not Want Transylvania Back'

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[FBIS Translated Text] It would be a tragedy if either the Austrian-Hungarian or the Hungarian-Romanian border were to be a European border, said President Arpad Goncz at the Hungarian-Romanian intellectuals' meeting held at Szoedliget [north of Budapest]. Our reporter is Levente Suekoesd:

[Suekoesd] Catching up with political Europe is an equal necessity for the countries of the region. Hungary's aim is that the integration of these states should take place at the same historical time, at one and the same time, said Arpad Goncz, president of the Republic, before the 50 or so Hungarian and Romanian intellectuals present.

The president continued with his train of thought: It would be a tragedy if the border of political Europe were to lie permanently between Hungary and Austria or between Hungary and Romania. Our vital interests are identical. We cannot curb each other's endeavors; we cannot afford the luxury of working against each other.

The Romanians have known disadvantages in the course of history; therefore there are real reasons for the tensions [goercsoek] on both sides, said Arpad Goncz. But we have to acknowledge that we are not fatally dangerous to each other; even in the physical sense, it is impossible to annihilate each other. Each people has learned from the other. This can be felt most in Transylvania [Erdely]. Unfortunately, this is also where passions are highest, said Arpad Goncz. Hungary does not want Transylvania back; after all, it would not be able to manage the problems of the 5-million-strong Hungarian community [magyarsag] living there. We would, however, like to help and support the Romanian minority in Hungary. This purpose is served by the local minority self-administrations as well. Nevertheless, it will probably take a year or two before these new bodies find their feet and become capable of real, full interest protection, said Arpad Goncz, president of the Republic, in his opening speech.

The Hungarian and Romanian speakers have so far listed historic examples of coexistence, appreciating first and foremost the cooperation of representatives of intellectual life, the arts, and literature. They said that perhaps by building on the past, there will be a chance for present-day and future rapprochement.

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Alija Izetbegovic's Report to Assembly Viewed

LD2105155595 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1330 GMT 20 May 95

[Report submitted by Alija Izetbegovic, president of the Bosnia-Herzegovina Presidency, to a session of the Bosnian Assembly in Sarajevo—live]

[FBIS Translated Text] Dear president of the assembly, honored deputies, ladies and gentlemen. You have been given the report on the work of the Presidency of the Republic of Bosnia-Herzegovina for the past period. The report is submitted in line with amendment (?41) to the Constitution of the Republic of Bosnia-Herzegovina, under which the Presidency of the republic is responsible to [word indistinct] of Bosnia-Herzegovina and this assembly.

This report is the first one since the beginning of the war. The assembly has so far been only sporadically informed—by the president of the Presidency or by Presidency members—on certain issues concerning defense, foreign policy, the peace process, and the situation in the country. The report I will submit deals with the issues on which the Presidency decided in line with its rights and obligations. The issues primarily refer to the sphere of the defense of the country, its international position, and the internal security situation. I will address these issues in that order. First, defense and armed resistance.

Under the war conditions the Presidency is the supreme command of the Armed Forces and it is responsible for the organization [words indistinct]. The Presidency carried out this duty on the basis of the rights and competences specified in the Constitution and in line with the platform for the Presidency's work in the conditions of war, adopted in 1992. This platform defines the war aims, which are a unitary, decentralized, and democratic Republic of Bosnia-Herzegovina.

The Presidency fulfilled its role as the supreme command under the extremely difficult conditions of the aggressor's technical superiority, and occasionally under a complete communications blockade. The situation has been, and still is, very difficult in the isolated areas of the free territory—Srebrenica, Gorazde, Zepa, and Bihac—that have been completely encircled for three years. The situation is further complicated by the difficulties imposed by the care for refugees. [Words indistinct] in free territories there are more than 600,000 displaced persons and persons who, under persecution, fled their homes in the temporarily occupied territories. [Number indistinct] able-bodied citizens of Bosnia-Herzegovina are in exile throughout Europe and the world. [Words indistinct] various administrative blockades, most of which are deliberate and aimed at reducing our demographic potential in free territories and thus (?hampering) successful defense.

However, despite these difficulties I believe that we have managed to do the following:

First, to organize the army and ensure the conditions for its constant activity and strengthening. Second, to start up specific-purpose, or rather, military industry and to ensure its functioning. I must say here that certain leading members of the Patriotic League made a big contribution to this in the very beginnings of the war. Third, we have managed to keep in constant contact with our enclaves in Bihac, Srebrenica, Zepa, and Gorazde, and to ensure that—under the most difficult circumstances—the necessary minimum of the means for defense reached them. Fifth [as heard], we have managed to [words indistinct] the managing and commanding and the discipline of the military units and the enforcement of war laws.

Owing to the above facts, we have managed to stop the aggressors and retain relatively large areas of free territory with considerable resources and potentials that can be the basis for the continuation and a successful completion of the war for liberation.

Some circumstances in this important (?work) were to our advantage. The most important one was certainly the patriotism and the unity of the citizens who were determined to defend the republic and [words indistinct]. Without the preservation of Bosnia as one state there will be no peace and the injustice, which the war has brought, will never be righted. And, above all, people will never return to their homes and war criminals will not be punished. In its work the Presidency has constantly borne in mind these feelings prevalent among the people.

On the other hand, certain circumstances hampered our task of organizing defense. I will mention only one now, and that is—to say the least—the ambiguous (?promise) of the international community. It recognized Bosnia-Herzegovina [words indistinct]. At the same time, it refused to help our country and, even worse, it has retained the embargo (?on arms).

We are in an impossible situation as we have to defend ourselves with our hands tied behind our backs. In addition to this, while seeking a political solution at any cost, the international community [words indistinct]. There have been [word indistinct] that the war in Bosnia is a war between democracy and fascism. The democratic world, [words indistinct] its interests, has not sided with democracy. While attempting, despite its own historical experience, to put an end to the aggression

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and to the guns by [word indistinct] and resolutions, this world has been constantly reluctant to do so.

Everything that has been happening in the political sphere has not been [words indistinct]. Statements of support were made lightly only to be forgotten all too easily. [Words indistinct] as it was closely linked to war and peace, we had to take account of this sad and unexpected conduct.

I hope you will not reproach me for a remark of a personal nature. I found the so-called peace negotiations the most difficult job, the most difficult trial I have ever experienced. [Words indistinct] acceptance of the peace offer might have meant an unjust peace equivalent to defeat. But total war, the consenquences of which cannot be predicted, was avoided.

Hence, we find ourselves in this [word indistinct]. This is why you should not pass too harsh a judgement in your debate. Remember [word indistinct], it was hard to lead a small country. We were attacked from all sides. This is an opportunity to mention the Washington agreement as it radically changed [word indistinct] battlefield in Bosnia-Herzegovina despite the fact that the war continued nonetheless.

[Words indistinct] this agreement and the federal constitution of Bosnians and Croats based on it, were drawn up in close cooperation with the Bosnia-Herzegovina Presidency. We bear part of the responsibility for its positive aspects as well as for its current flaws. This agreement demonstrates the Presidency's consistent commitment to the notion that authorities, organized along local and regional principles, should reflect the economic, historic, cultural, and ethnic [words indistinct]. It is not at odds with the principle of territorial integrity across the whole territory of Bosnia-Herzegovina. [Words indistinct] on the basis of the Washington agreement, a cessation of armed conflict was agreed between the Bosnia-Herzegovina Army and the Croat Defense Council [HVO].

[Words indistinct] in the internal sphere [words indistinct] commitment to preserve the democratic nature of the authorities and to protect the rights and freedoms of all citizens. It successfully resisted the attempts to introduce censorship [passage indistinct] our main orientation is [word indistinct] based primarily on the motivation of [word indistinct] forces in their struggle against the aggressor. Why, democracy even under wartime conditions is a guarantee of democracy under peacetime conditions. We are aware of the possibilities of abusing democracy but, nonetheless, we do not believe in so-called limited democracy as this is a good excuse for dictatorship.

[Words indistinct] law-governed state and the political maturity of citizens is the only medicine. The Presidency has been paying attention to the fact that our soldiers have to honor the norms of international law in warfare. Each of our fighters carries a written code of conduct and warnings against [words indistinct] this code. Thanks to this fact, despite all the challenges and the grave crimes perpetrated by the aggressor, we have managed to prevent the atmosphere of retaliation from prevailing in the army and police.

[Words indistinct] and through our educational and political activity we have so far managed to translate these demands for respect for the norms of international warfare law into the tactics and conduct of the army and police of Bosnia-Herzegovina. We aimed to preserve the national and liberating character of the Bosnia-Herzegovina Army and [words indistinct] particularly in the Presidency's [word indistinct] political activity.

This is why, due to various circumstances [word indistinct], the Bosnia-Herzegovina Army has not become a single-nationality army. Its Bosnia-Herzegovinian character is articulated in the aims of the liberation struggle. They are clear. On the basis of reviews of the overall political and military situation the Presidency constituted [words indistinct] whereby Bosnia—Herzegovina's armed forces were charged with two basic tasks: first, to defend territories that have just been liberated; second, to create conditions for liberating occupied territories.

In its attempt to shorten the war as much as possible and spare the loss of life, the Presidency opted for [words indistinct] to find a peaceful solution through the negotiating process. (?The Washington Agreement) was reached on that basis. This approach, adopted by the Presidency in both military and political spheres, resulted in the occasional weakening of the intensity of fighting and hence in occasional lulls (?which alleviated) the suffering of the people.

In the second half of 1994, when the aggressors rejected the Contact Group's peace plan, we took the operational and tactical initiative on certain sections of the battlefront, which resulted in the liberation of around 2,000 square kilometers of territory. This improved our position for the defense of our territory on many sections of the battlefield, as well as for further (?action) if necessary. The attackers suffered considerable losses [words indistinct]. Our units gained considerable combat experience in these actions and [words indistinct], especially arms and ammunition, which partially redressed the imbalance in armament that [words indistinct] since the beginning of the war, and which is due to the arms embargo.

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A large-scale reorganization of the Bosnia-Herzegovina Army was carried out in 1994. Key decisions were made on the basis of the General Staff's proposals, (?relevant to) the internal organization of the army units. In line with these decisions, the important tasks of setting up a special rapid reaction force of the Bosnia-Herzegovina Army have already been carried out. In line with the president's decision, reserve forces of the republic's army began to be formed. These forces include the military conscripts who are under compulsory work order in the economy and elsewhere. The reorganization allows a more complete and economical deployment of the manpower and equipment, and at the same time, creates conditions for activating [words indistinct] and the struggle for the liberation.

[Words indistinct] very complex tasks involving the supply and logistical support for the Bosnia-Herzegovina Army. [Words indistinct] we will be able to say more about that when the war is over.

Training and recruitment centers have been formed within the army. A greater involvement of women in the ranks of the army has been ensured. There are more than 6,000 women, 300 of whom (?are officers). We have organized meetings of our high-ranking officers with military representatives of Croatia, the USA, Turkey, Malaysia, and other friendly countries.

Our constant concern continued to be (?to ensure) the special status of the fighters and their families. We demanded that special care be taken for the families of martyrs and dead soldiers, as well as for the wounded and civilian victims of the war. [Words indistinct] the Presidency shares this concern with the government and [word indistinct]. On our behalf [words indistinct] many (?non-)government organizations for the assistance to the families of dead soldiers and serious invalids. We have channelled the aid received from all international humanitarian organizations in that direction. Certain results have been achieved. The situation in that sphere is nowadays much better than in the first year of the war, but satisfactory systematic solutions have not yet been found and implemented.

The Presidency members have been in daily contact with the commanding bodies of the Bosnia-Herzegovina Army. Tours of the units on the front lines were of particular importance in this respect. The Military Council of the Bosnia-Herzegovina Presidency, under the chairmanship of the president of the Presidency, [words indistinct].

Second, the international position of Bosnia-Herzegovina. In the past period, in line with its constitutional authority, the Presidency of Bosnia-Herzegovina outlined the main guidelines of our foreign policy. As is known, the implementation of this policy is [words indistinct] under the government's competence as well.

The (?main) aims of our foreign policy have been: First, to affirm Bosnia-Herzegovina as an international [word indistinct] independent state. Second, to create friendly relations with the rest of the world, or in other words, to change the world that was against us into the world that is favorably disposed toward us. Third, to retain the world's attention on the problems of Bosnia-Herzegovina as a victim of the aggression.

These three basic aims have been only partially (?achieved) because they clashed with a series of unfavorable circumstances, and I will single out two. The world as it is [words indistinct] liberating large parts of our country. It is difficult to represent with due authority a country whose large parts are under occupation.

We said that this second thing [as heard] was our unconditional commitment and our democratic (?model): To prove that we are a democratic alternative in this region and [words indistinct] in the Balkans. Our model of a multiethnic and multicultural community against the tendency toward a one-nation, one-religion, and one-party [community] against which we have fought. I must stress that precisely this is comparatively our most important advantage, and that it [words indistinct] will in the long run decide who will win this (?fierce) reckoning of forces.

Speaking about the world and the position we have built for ourselves, we can say without a doubt that we are one of the rare countries enjoying very friendly relations with both the United States and Iran, with the Arab world [word indistinct], whose representatives are equally well received in Turkey and Greece, in Pakistan and India. Allow me to say that this is a great achievement and it needs to be further enhanced and maintained.

The above is a type of our foreign policy doctrine: The combination of the two factors—the democratic nature of authority and our successful struggle against the aggressor. The struggle (?for the defense of our country) and our people, as a brave and dignified people—this struggle, in particular, has earned us respect among both friends and those who are not our friends. Our country has become a factor that cannot be ignored in settling relations in the Balkans. This is due to the efforts of both our diplomats and our army. It should be said that Bosnia-Herzegovina will remain present on geographical maps to the extent [words indistinct].

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[?We have concentrated our efforts] on six strategic foreign policy issues. First, the search for peace by political means, which at the moment are proceeding on the basis of the plan of the Contact Group of five countries. Second, the efforts to keep world public informed about the real nature of the war in Bosnia-Herzegovina and the aggressor's genocide and fascism-inspired goals. In view of the constant and poisonous propaganda by the enemy, they must remain our everyday task. Third, to receive material and other forms of assistance from friendly countries and nongovernmental institutions to ensure the survival of our population. Fourth, international efforts to prosecute the organizers and perpetrators of war crimes by international institutions and the International Tribunal in The Hague. Fifth, the lifting of the arms embargo and constant efforts to promote our right to self-defense.

Our efforts on the first four points have yielded good results, some of greater importance than others. However, when it comes to the lifting of the embargo, we have not been successful. This task lies ahead of us and we are in the process of preparing a new diplomatic offensive to have the embargo, as an illegitimate and unethical way of restricting our efforts at self-defense, lifted. The dominant factor in all these activities has been the draft peace plan by the Contact Group of five countries—the United States, Great Britain, Germany, France, and Russia—of July 1994. For ten months now this plan and various speculations surrounding it have not stopped (?being controversial). In addition, we have been using our meetings with foreign diplomats and statesmen and all our meetings and conferences abroad to search for peace and a political solution to the conflict. In this context, of particular significance was our presence at the 59th session of the UN General Assembly at the beginning of 1994, the meeting of the OSCE in Budapest in November 1994, and the (?OIC) in Casablanca in December 1994. We have had many bilateral talks. Of special importance were those with President Clinton in Washington (?at the beginning of) 1994 and in Budapest in November 1994, with German Chancellor Kohl in Bonn in March 1995, and with Indonesian President Suharto in March 1995, and our testimony on the aggression against Bosnia-Herzegovina before the U.S. Congress in [word indistinct]. To this effect we also had a whole series of talks with the presidents of Austria and Iran and with leading officials of Russia, China, Hungary, Romania, Bulgaria, and Japan. Our mission at the UN is almost daily contacts with representatives of all relevant countries. Despite all these activities, the situation throughout the country and especially in the area of Sarajevo has deteriorated over the last month. All that the international community has been able to achieve so far is to isolate Karadzic's Serbs diplomatically. It has, however, failed to close the border between the Republic of Bosnia-Herzegovina and Serbia and Montenegro. As a result, logistical support for the occupying army continues. It is obvious that the peace process is in a state of stagnation. So far there are no great prospects for any changes. Mutual recognition of Bosnia-Herzegovina and Serbia may bring about the necessary turnaround providing the price is not too high. Bargaining is under way and, if our past experience is anything to go by, we have no reason to be totally at peace.

The most important issues of international relations and the peace process have also been discussed by the Presidency's international relations council. This council is chaired by Dr. Ejup Ganic, member of the Bosnia-Herzegovina Presidency, and the minister of foreign affairs and the chairman of the assembly's Foreign Relations Committee are its members. These are [word indistinct] intellectuals from the ranks of all nationalities living in Bosnia-Herzegovina. Since recently and according to its rules of procedure, the council has been meeting in its special composition, which includes representatives of all parliamentary parties, the board of the congress of Bosnian intellectuals, the Serb Civic Council, the (?Croatian National Council), [word indistinct] Bosnia-Herzegovina, and the council of Sarajevo.

The council discusses relations with UNPROFOR [UN Protection Force], (?the situation) in the Bihac region, (?and its) international aspect, relations with UN Secretary General Butrus Butrus-Ghali and his envoy Yasushi Akashi, the international factor [words indistinct] Federation, the cease-fire and its possible extension, the recognition of Bosnia-Herzegovina by Serbia, and similar issues.

Our cooperation with the UN Security Council plays an important role in our relations with the world. In (?the past year) the UN Security Council (?passed) a number of resolutions referring directly to our country. These are Resolutions No. [number indistinct], 909, 982, 987, and 988. Considerable correspondence (?referring to) the consistent implementation of UNPROFOR's mandate, [words indistinct] of the General Assembly, especially those referring to the security zones, the humanitarian aid delivery to Sarajevo airport, sniper activity, the continuation of the ethnic cleansing policy in Semberija and Bosnia-Herzegovina, [words indistinct] Tuzla, the violation of the sanctions, the breaches of the exclusion zone agreements, the violation of the [word indistinct] sanctions with Serbia and Montenegro, and so on.

Our interventions usually received formal support, but substantive results have failed to materialize due to the

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UN's proverbial lack of effectiveness and the imposition of the big powers' interests.

As the presidency suggested, our representatives took part in (?the work) of the United Nations. Our participation in the work of 51st session of the UN commission for (?human rights) [words indistinct] was significant. After (?that) the latest resolution on human rights in the so-called [words indistinct] Yugoslavia, or rather Serbia and Montenegro, was passed. We also made a significant contribution to the 45th session of the committee for abolishing war discrimination, [words indistinct], war criminals, genocide, and the (?frequent) violation of the international humanitarian law by the aggressor in our country.

In the preceding period the presidency [words indistinct] our candidacy for membership in the group of 77 developing countries and in the congress of the European local and regional (?governments), in which we were granted a special guest status. I would like to note that we have become a member of the European conference [words indistinct] and the procedure has started for our country's membership in the Nonaligned Movement, the Mediterranean Forum, [words indistinct], the IMF, and the International Bank for Reconstruction and Development.

The European dimension in our foreign policy (?has gradually been strengthened). On the basis of a decision of the Bosnia-Herzegovina Assembly, the request has been made for Bosnia-Herzegovina's membership in the Council of Europe. Interest has been expressed in membership in the Partnership for Peace project. [words indistinct] at the ministerial conference in March 1995.

In the preceding period Bosnia-Herzegovina has cosigned a further (?67) multilateral international agreements, including 15 agreements within the framework of the Council of Europe. The total number of agreements to which Bosnia-Herzegovina is a party amounts to 249. At the same time, a process has formally started to regulate the succession of bilateral agreements with around 70 countries. [words indistinct] and the procedure for signing (?37) agreements with 16 countries and [number indistinct] organizations is under way.

Since the beginning of the aggression, the presidency has been trying to ensure that evidence and documents proving the aggressor's war crimes are being collected. In addition to the Institute for War Crimes, which is a scientific institution, this problem is being dealt with by two state bodies that are under the competence of the Presidency and the Government of Bosnia-Herzegovina: (?the state security service) at the Ministry of Interior and the state commission for war crimes. This commission has recently come under the competence of the Bosnia-Herzegovina Government. The state security service and other services (?within) the Bosnian Ministry of Interior have gathered and examined a huge amount of material on war crimes in Bosnia-Herzegovina. This material has been or will be put at the disposal of the Hague Tribunal.

The material gathered [words indistinct] procedures against the Chetnik leaders and the war crimes against the Bosniak people (?in the war zone). The International Tribunal in The Hague (?has been given) [number indistinct] dossiers on the organizers and perpetrators of the war crimes and the genocide, more than 6,000 statements by eyewitnesses, 625 original documents of the former Yugoslav Army and (?the Serb Democratic Party [SDS]), 45 videotapes with (?65) hours of recorded material [words indistinct], more than 300 photographs, more than 20,000 [words indistinct] of the original documents of the former Yugoslav People's Army and the (?SDS), and 159 people (?from) the International Tribunal (?were informed) about the circumstances in which war crimes and the genocide were committed in our country.

These achievements in foreign policy are largely the result of the joint effort by the Presidency and the Government of Bosnia-Herzegovina, as well as the Foreign Ministry. I would like to inform the deputies who are particularly interested in this issue that the Foreign Ministry has prepared a lengthy report, which I believe is available to the deputies.

I would just like to say now that I did not see in that report the Presidency's initiative to limit the mandate of the ambassadors and the embassy personnel. The initiative has recently been launched to limit their mandate to two years, with the possibility of the ambassadorial mandate being extended by a further two years, while all other personnel should return to the country after the maximum of two years. This initiative was aimed at correcting possible mistakes and allowing other people to leave the country and work abroad from time to time, in order to make possible a healthy rotation of personnel. I would like you to be aware of this initiative.

Third, the country's security. The Presidency devoted particular attention to (?developing) and strengthening the Ministry of Internal Affairs and its State Security Service which ever since the beginning of the war have been forced to face increasingly aggressive enemy activities directed, above all, against our free territories. In addition to offensive [word indistinct] the aggressor is increasingly resorting to terrorist and commando actions designed to destabilize free territories and cause

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panic among the population. The latest example of this are terrorist operations—someone is talking up there, please, do not talk—as I said, terrorist operations carried out throughout (?1994) in the free region of Tuzla and in the Bihac region at the beginning of 1994. We must bear in mind that similar attempts continue to be carried out in various forms including traditional acts of sabotage against industrial facilities and road infrastructure, kidnapping, assassination, [word indistinct] war in order to [word indistinct] morale and [word indistinct] of the people.

There are two factors that can be of crucial influence on the political and security situation in the country. The first one relates to reviving the economy and, by implication, social welfare. The second relates to the pace at which the federation of Bosnia-Herzegovina is being set up as a precondition for enabling refugees to return to their homes and the normalization of life on the free territory. The bad social security position of the majority of our people is in itself a serious problem, but it is not the most complex one. Our people are aware that their position is a result of a prolonged (?war) and a communication blockade.

However, inequality, or rather undeveloped and inefficient mechanisms to distribute burden have been focused more sharply. This relates to both the cost of the war and of [word indistinct] in the armed struggle. There is a great deal of injustice surrounding this and evidence of it is visible everywhere. The contentedness of the people and the country's security to a large extent depend on how successfully and fairly this issue is resolved. Of course, not much evidence is needed to prove that, objectively speaking, the morale of our fighters is affected by this.

In the period ahead, we must take measures to raise the population's security awareness, which clearly is not at an enviable level. Not much has been achieved in this area and we are paying a high price for it.

Fourth, [word indistinct] the Federation of Bosnia-Herzegovina. Since the very beginning, the Bosnia-Herzegovina Presidency has been consistent in its support for the Federation of Bosnia-Herzegovina. The Presidency endorsed the Zagreb agreement and the Bonn treaty as significant steps in further developing the Federation of Bosnia-Herzegovina. An active role by the Germany as the host country and by Mr. Klaus Kinkel [German vice chancellor] as an arbiter was seen as the Presidency as an important [words indistinct] in setting up the federation. This meant that in addition to the United States, another big European power, Germany, was behind the project. The Presidency has been encouraged by the latest offers of help in building the federation despite the fact that basically only symbolic progress has been made.

In order to [word indistinct] economic problems and the outstanding issues of financing the army and public services are the main obstacle in [word indistinct] this issue cannot be ignored when discussing the federation. The Presidency's view is that [word indistinct] federal [words indistinct] should in future be set up as a federal state, or rather as a federation of cantons.

I have here some more facts about the work of the Presidency. In view of the fact that the Republic of Bosnia-Herzegovina is in the fourth year of the state of war, under Amendment 73 of the Constitution of Bosnia-Herzegovina, the war presidency [word indistinct] the chairman of the Bosnia-Herzegovina Assembly, the prime minister and the commander of the general staff of Bosnia-Herzegovina. In this composition the Presidency acted as the armed forces' supreme command and passed legally binding regulations which are normally under the Assembly's jurisdiction. Acting within its powers, in the period between April (?1994) and April 1995 the Presidency passed 89 legally binding regulations and 114 resolutions on enforcing legal documents. [word indistinct] 49 decrees [word indistinct] the majority of laws [word indistinct] Bosnia-Herzegovina and passed 71 (?documents) regulating the execution of the Presidency's constitutional and legal competences. The Assembly of Bosnia-Herzegovina endorsed all legally binding regulations thus commuting them into laws. It has also endorsed decisions which come under its purview but passed by the Presidency. In this way we have practically secured legal basis for the functioning of the country's legal system.

In conclusion, whenever possible members of the Presidency toured the free territories and visited fighters on the front line, state authorities, [word indistinct] hospitals, schools and industrial facilities, refugee camps and other institutions. We have been to almost every municipality on the free territory. The members of the Presidency passed their impressions to relevant authorities. The lack of resources, [word indistinct] blockade, destruction and the overall situation in the country, (?undermine) our capacity to resolve problems efficiently. But our tours outside Sarajevo are not simply designed to give moral encouragement and support to the people and the army. They are increasingly becoming part of our regular and indispensable practice. Those who have been to the free territory say that they are returning either full of [word indistinct] or hope. The spirit of Bosnia and the courage of its best sons, the determination of the people to sacrifice everything in defense of the country give us strength and inspire us to make fresh efforts. In the middle of the free territories the Sarajevo

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syndrome of a town under siege disappears, the belief is restored that we are pursuing the correct and the only possible path. We can see how under enormous suffering but at the same time through magnificent resistance to inhumanity, they are preserving the Bosnia which we call an idea. They say that guns can do a great deal but are powerless against an idea, that in this struggle we cannot lose regardless of what happens to each of us, personally. Bosnia is what it stands for and it will still be there when we are no more.

Pejanovic, Iranian Envoy View Bosnia Issue

AU1905195795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 19 May 95

[FBIS Translated Text] Presidency member Mirko Pejanovic today received (Mohammad Ibrahim Taherian), ambassador of the Islamic Republic of Iran to the Republic of Bosnia-Herzegovina. The talks touched upon the trilateral meeting of foreign ministers of Bosnia-Herzegovina, Iran, and Greece that was held in Tehran.

Ambassador (Taherian) informed Pejanovic about the talks between the foreign ministers of Iran and Greece, 'Ali Akbar Velayati and Karolos Papoulias.

Considering that Bosnia-Herzegovina is a multinational and multicultural country, we are trying to maintain contact with representatives of all nationalities, both with the (?president) of the republic and with [word indistinct] of other nationalities. We also think it is the best way to seek a peaceful solution for Bosnia through negotiations. Iranian officials also hold this opinion, and we are therefore not going to deny any aid to Bosnia, Ambassador (Taherian) said after the talks.

I think it is very useful that this activity and pressure on Belgrade and on Milosevic to solve the Bosnian issue through negotiations is initiated in such a way, through a trilateral meeting. One of these questions is pressure on Milosevic to bring about the mutual recognition of Bosnia-Herzegovina and the so-called Yugoslavia. Some positive processes in this connection have recently been announced. This will certainly represent the expected turnabout in the Bosnian war drama or a new beginning of positive trends in solving Bosnia issue, Pejanovic said.

Government Relations With Herzeg-Bosnia Seen

Customs Act Signing Denied

AU1905205195 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 19 May 95

[FBIS Translated Text] We have just received a report by B-H PRESS:

On the occasion of a report carried by the media to the effect that documents have been signed by customs services, financial police forces, and taxation administration of the Government of the Republic and Federation of Bosnia-Herzegovina and the Government of the [word indistinct] so-called Herzeg-Bosnia, the Government of the Republic and Federation of Bosnia-Herzegovina has issued the following (?announcement):

The Government of the Republic and Federation of Bosnia-Herzegovina did not hold any negotiations with the so-called Herzeg-Bosnia, nor has the finance minister been given any authority and orders to conclude any agreements with the so-called Herzeg-Bosnia. Such acts would be contrary to the constitution and the valid laws of the federation and would not have any legal power.

The report carried by media says that the documents were signed between the Republic and Federation of Bosnia-Herzegovina and the so-called Herzeg-Bosnia on the basis of conclusions the government adopted on 14 April. In order to inform the public objectively, the government publicizes the (?original) text of the conclusions which reads as follows:

The government assesses that the decree on the temporary measures on imports and trade of products adopted by organs acting on the territory under the control of the Croatian Defense Council is not in conformity with federal regulations and causes negative consequences on the entire territory of the federation. The implementation of the said decree has caused delays in transport thereby incurring great material damage. It called into question the implementation of economic policy measures, particularly those that should stimulate production, which can affect the country's defense capability.

The Finance Ministry has been obliged to propose measures on establishing the customs system of the federation to the government by 30 April 1995 at the latest. As the finance minister has not been [word indistinct] for a long time, the government expects him to present information on the (?implementation] of these conclusions along with proposed measures for establishing the customs system of the federation. The government will make decisions about this in conformity with the constitution and the valid laws of the federation.

Kafedzic Calls For Dissolution

AU1905202195 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1700 GMT 19 May 95

[FBIS Translated Text] At the regular news conference today, Mujo Kafedzic, vice chairman of the Muslim Bosniak Organization [MBO], pointed out that the

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Government of the Federation of Bosnia-Herzegovina can be rescued [sanirati] only when the so-called Herzeg-Bosnia is dissolved. In the party's view, [words indistinct]. The MBO still takes the view that all parliamentary parties would definitely have to take part in the implementation of the Washington Agreement and it advocates that, while negotiations are under way, the date should be established for the cessation of work of all authorities in the so-called Herzeg-Bosnia. If this is not done, then the division of governments of the Federation and Republic of Bosnia-Herzegovina would represent the first step toward the division of Bosnia-Herzegovina.

MBO representatives point out that there will be no peace in Bosnia-Herzegovina until the aggressor is militarily defeated and until the world realizes that the embargo on arms imports must be lifted to avoid the war spreading onto the general territory of the Balkans.

As for the recognition of Bosnia-Herzegovina by Milosevic, it was pointed out today that Milosevic, who was the initiator of the breakup of the former Yugoslavia and the initiator of Greater Serbia, should finally realize that the plan to create a Greater Serbia is definitely a pipe dream. If Bosnia-Herzegovina is recognized by Serbia, it would definitely be a good sign for further negotiations.

Karadzic Warns Against NATO Bomb Attacks

LD2005090195 Berlin DDP/ADN in German 0300 GMT 20 May 95

[FBIS Translated Text] Hamburg (DDP/ADN)—Bosnian Serb Leader Radovan Karadzic has threatened to take UN soldiers hostage in the event of international intervention in the Bosnian conflict. "If our positions are attacked by NATO bombers, the Blue Helmets will be our hostages," Karadzic has told the Hamburg news magazine DER SPIEGEL. He welcomes the withdrawal of UN troops. If the UN protection zones are not demilitarized by the Muslims, "we will take them all by force, including Sarajevo."

The International Contact Group for Bosnia is ineffective as a peace mediator and is paralyzed by German tutelage, Karadzic says. He says a new group of intellectuals and retired politicians, who are supposed to be close to the U.S. Administration, is working for an acceptable compromise. It specifies that Bosnia is to be turned into a union of two sovereign states, one for the Serbs and the second for the Bosnian Muslims and Croats. With a "few frontier corrections", this idea could be endorsed.

Possible Milosevic Recogniton of Bosnia Seen

Krajisnik Comments

LD2105142795 Belgrade SRNA in Serbo-Croatian 1925 GMT 20 May 95

[FBIS Translated Text] Sarajevo, 20 May (SRNA)—Momcilo Krajisnik, president of the National Assembly of the Serb Republic [RS], told SRNA today that if he decided to recognize former Bosnia-Herzegovina, President of Serbia Slobodan Milosevic would make a historic mistake that the leaders of the Serb Republic would not accept.

"Any such decision by either President Milosevic or any other official would be contrary to the interest of the Serb nation and would directly serve the interests of our enemies," Krajisnik said, and went on to stress that "no one has the right to pass decisions against his own people."

The president of the Assembly noted that the war started in order to thwart attempts by force and in contravention of the then constitution to expel the Serb people from the then Yugoslavia. He added that Milosevic's decision after three years of war to recognize AVNOJ [wartime government of Yugoslavia set up in 1943] borders would be a mistake more serious than the one made in 1991.

Krajisnik said that he hoped that, after all, Milosevic will not make "a double mistake." He said that the Serb Republic will not accept the recognition of two entities—one Serb, one Croat-Muslim—within the borders of former Bosnia-Herzegovina.

"The Serb Republic exists as a state with all the characteristics of a state, and we will never agree to be an entity within Bosnia-Herzegovina," Krajisnik said and went on to note that nothing should be ruled out but that the current RS leadership knew "what it stands for and is aware of the interests of the Serb people."

Krajisnik refused to either confirm or deny agency reports about a meeting between the RS leaders and Milosevic and said that the RS leaders had always been ready for such a meeting, which, as he put it, would do no harm and would not deepen current disagreements.

"We see the president of Serbia as an important personality among the Serbs and we feel no anger if there is disagreement between us over how to approach the Contact Group plan, or how we see the fate of the Serb nation in former Bosnia-Herzegovina and former Croatia. There is no place for anger in politics," Krajisnik said.

Krajisnik welcomes the decision by the Assembly of the Republic of Serb Krajina [RSK] to nominate three

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members for the interrepublic unification commission and stressed that "all-Serb unification is inevitable" and that this was "in the interest of the Serb nation."

"With the Croatian aggression against Western Slavonia, the last obstacle to the genuine unification of the Serb Republic and the RSK has been removed. This obstacle was the Vance plan, which we wanted to fully observe in the belief that the international community would help to find a political solution by peaceful means," Krajisnik said.

According to the president of the RS People's Assembly, the aggression against Western Slavonia, which the international community encouraged Croatia to pursue, and the collapse of the Vance plan have shown that it is better to defend the RSK borders jointly than to fight once "Croatian forces emerge on the administrative borders of former Croatia."

Krajisnik announced that once the interrepublic unification commission drew up necessary documents, he and Rajko Lezajic, president of the RSK Assembly, will by the end of May convene a joint session of the two parliaments to pass the resolution on unification and all other resolutions necessary to implement it.

Krajisnik cited defense issues, developments in Western Slavonia, and unification as the main topics to be discussed at the next emergency session of the RS Assembly.

Karadzic Makes Statement

LD2105145395 Belgrade SRNA in Serbo-Croatian 1335 GMT 21 May 95

[FBIS Translated Text] Sokolac, 21 May (SRNA)—"The West is pressuring Serbian President Slobodan Milosevic to recognize former Bosnia-Herzegovina and Croatia, but this will not and must not happen," Radovan Karadzic, president of the Serb Republic, said in Sokolac today.

"No one can recognize Bosnia-Herzegovina unless we recognize it, and this we shall never do. The West knows that the crisis in former Yugoslavia is nearing its end and the issue of moral responsibility will have to be raised. Thus, they wish to shift on Serbia and its president," Dr. Karadzic said.

Speaking at a ceremony to mark the formation of the Second Romanija Motorized Brigade of the Serb army and hoist the colors, President Karadzic said:

"The double sanctions imposed upon us are aimed at undermining the determination of both the population and our fighters. But the Serb soldier will not be brought to his knees since no one can endure what he can. This means that there will be no solution detrimental to the Serbs."

Colonel Mirko Trivic, commander of the Second Romanija Motorized Brigade, said that the courage of his brigade "was instrumental in protecting the population and safeguarding Serb territory and all industrial potentials on Romanija."

"Our fighters did not just protect the borders of their municipality but went where they were needed. As a result, last year we awarded decorations to 28 of them and over 70 were promoted," he added.

Serbs View 'Blacklist' as 'Political Pressure'

AU2205095495 Belgrade NASA BORBA in Serbo-Croatian 16 May 95 p 1

[Report attributed to SRNA on the statement of the Ministry of Information of the Serb Republic: "The Leadership of the Serb Republic Has No Property in the United States"]

[FBIS Translated Text] Sarajevo, SRNA—Ministry of Information of the Serbian Republic [RS] stated yesterday that none of the 85 persons from the RS whose names can be found on the "blacklist" of the American Congress, recently published in the Belgrade media, had any property or bank accounts in the United States.

"In mid-April 1995 the Congress of the United States published a 'blacklist' with the names of 85 persons from the RS, with whom all sorts of financial transactions are forbidden and unlawful, or their entire personal property under the control of the American authorities will be expropriated, if there is any," the statement warns, stressing that none of the named persons "possess accounts or personal property on the territory of any of American federal states."

Adding that on the "blacklist," together with almost the entire political and military leadership of RS, there are also some persons who are no longer alive, the statement, signed by Miroslav Toholj, minister of information, explains that the existence of such a decision of the American Congress "implies yet another aspect of political pressure."

The American "blacklist," the statement claims, "is nothing but a copy of the 'blacklist' which, after the rejection of the Contact Group plan and the introduction of the border blockade on the Drina, forbade a certain number of people from the RS from entering the territory of the Federal Republic of Yugoslavia."

The Ministry of Information of the RS adds that it is very indicative that, by obscuring the formulations from the decision of the American Congress, some Belgrade

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media want to create the impression that all those from the part of the "blacklist" that regards RS, secretly possess property and bank accounts in America.

"In the Belgrade media, the names of the persons from the RS have been placed together with those who really possess such property, and from the 'blacklist' of 850 individuals and companies from Serbia and Montenegro," the statement points out, adding that American citizens who possess property on the territory of the RS, or bring it in when they enter its territory, need not worry, since the RS state organs "will still guarantee the protection of their property, as far as the war situation will allow."

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Mate Granic Interviewed on Current Issues

LD2105181795 Zagreb HTV Television in Serbo-Croatian 2130 GMT 20 May 95

[Studio interview with Mate Granic, Croatian deputy prime minister and foreign minister, by unidentified anchorman; from the "Picture vs. Picture" program—live]

[FBIS Translated Excerpt] [Anchorman] Our guest tonight is Mr. Mate Granic, deputy prime minister and foreign minister of the Republic of Croatia. Mr. Granic, good evening and welcome.

[Granic] Good evening.

(Announcer) We are witnessing a certain deterioration on the ground, especially in Bosnia-Herzegovina, and certain new diplomatic initiatives directed toward Belgrade and the recognition of Bosnia-Herzegovina. Croatia is not mentioned in that context. But, let us start from the beginning. Do you think that a decision to withdraw the United Nations from Bosnia could really follow this latest deterioration, and in that event, would Croatia's interest lie in the withdrawal of the UN Confidence Restoration Operation [UNCRO] from Croatia?

[Granic] It is possible that withdrawal will ensue, but this is only one of four possible options. Major international factors, particularly the United States, would prefer this not to happen. It is precisely for that reason that the United States tried to find a way out of the vicious circle through direct negotiations with Belgrade, with the support of all five members of the Contact Group. No one favors a military intervention against the Bosnian Serbs. On the other hand, everyone is in favour of isolating Karadzic. Everyone agrees on that.

But Karadzic cannot be isolated without the strong support of Belgrade. Therefore, the United States is negotiating with Belgrade. This is nothing new. This is their fourth meeting. The negotiations have been going on for three or four weeks. They are trying to reach an agreement on a tighter control [kontrola granice] of the border between Serbia and Bosnia-Herzegovina and on mutual recognition between Bosnia-Herzegovina and Serbia. In return for this, Milosevic could obtain a partial suspension of the sanctions. The sanctions would be completely suspended when he recognizes Croatia. [passage omitted]

This would of course be a severe rift in the Serbian corps, and it remains to be seen whether this agreement will be reached. Milosevic also demands that the continuity of the former Yugoslavia be recognized, for which there is no consensus. And, of course, we are strongly opposed to that.

[Anchorman] Let us stay in Croatia for a while. UNCRO has a new mandate on paper, but the situation on the ground seems to be completely different. Is it realistic to expect that the current UNCRO mandate—which envisages the deployment of forces along the border—will be implemented?

[Granic] Croatia will do everything for UNCRO's mandate in Croatia to be carried out. We will fulfill all provisions of UN Security Council Resolution 994, as we have done before. We will withdraw from the buffer zones which we entered for preventive reasons to protect Zagreb in Sector North, in Sector South to ensure the control of Udbina airport, and in Sector East in order to prevent a possible attack on Zupanja. [passage omitted]

However, Croatia has clearly shown that it will not tolerate terrorism any longer or allow solutions for reestablishing control over its occupied areas to be delayed indefinitely.

[Anchorman] Is it true that Croatia's sudden strength—both diplomatic and military in the field—sounded alarm bells in the international community? Has Croatia consequently found itself in a position where there are attempts to weaken it diplomatically, to weaken its strong position? Is it true that Croatia was threatened by sanctions in the Security Council, before the latest resolution was passed?

[Granic] It is true that this came as a surprise to the international community. We had told the international community that we were ready to do what we did—in a dignified, disciplined, and civilized way. This strong Croatia certainly represents an obstacle for the international community in its attempt to find balanced, final, and global solutions in the region. This is, of course, what only certain members of the international community think.

There were no threats of sanctions, but there have been threats of pressure. These threats are still present, although milder, which is the reason why Croatia will do everything it promises, and everything that is in its own and in international strategic interest. (?In this case) Croatia's strategic interest is to solve the problem of its occupied areas with the assistance of the international community. This is important because of Croatia's involvement in European integrational processes. There is no doubt that UNCRO and certain UN players had a special interest in having a weaker Croatia which would be easier to negotiate with. This would also make it easier to win the Croatian Serbs over for negotiations. That was one of the additional reasons for exerting pressure on Croatia.

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[Anchorman] Why is currently the only serious diplomatic initiative by the Contact Group focused on requesting the recognition of Bosnia-Herzegovina in Belgrade? Why is the recognition of Croatia not being requested at the same time?

[Granic] The original idea of the current French prime minister, then foreign minister, Alain Juppe, for a meeting in Paris was mutual recognition between Serbia, Croatia, and Bosnia-Herzegovina. However, Milosevic is not strong enough to make two recognitions in one go. This is the assessment made by international factors. For them, it is more important to solve the problem of Bosnia-Herzegovina in order to stop what is going on there now, which is the fierce resumption of the war. This is the international community's basic motive: To stop the war in Bosnia-Herzegovina before a peaceful solution is found [as heard].

The government of Bosnia-Herzegovina is ready to extend the cease-fire if Bosnia is recognized. This is one of the promises. Milosevic will of course recognize the territorial integrity within the Contact Group's proposal, which implies a loose union between the federation and the part of Bosnia controlled by the Bosnian Serbs.

[Anchorman] Milosevic seems to be trying to break up the alliance between Croatia and Bosnia-Herzegovina by recognizing Bosnia.

[Granic] Milosevic is certainly aware of two things. On the one hand there is the isolation of Karadzic and on the other he thinks that such a step could jeopardize the stability of the [Muslim-Croat] federation and the implementation of the Washington agreement. I had an opportunity to visit Bosnia-Herzegovina, Zenica, and Mostar. I talked with all the leaders. I met the leaders of the federation and the Croat republic of Herzeg-Bosnia, [Bosnian] Foreign Minister Ljubijankic, and Turkish Foreign Minister Inonu. The federation is going in the right direction, particularly after the Mostar agreement. [passage omitted]

[Anchorman] If most of the sanctions are lifted in exchange for Milosevic's recognition of the union or the external borders of Bosnia-Herzegovina, would that enable Milosevic to continue to support the occupation of Croatia?

[Granic] We have no illusions. We believe that the international community is again offering too much to Milosevic. We are aware and we informed the UN Security Council two days ago that Milosevic is directly financing the [Serb] officers in Croatia. We have documents, payrolls of the officers and soldiers from the Okucani military district, which we seized during the operation in western Slavonija. Therefore, we now have firm evidence confirming our earlier suspicions.

We are aware that Milosevic wants to hold onto a strong position in the negotiations between the Croatian Serbs and the lawful government of the Republic of Croatia. That is the reason why he still does not want to recognize the Republic of Croatia. However, the international community is exerting strong pressure on Milosevic to recognize the Republic of Croatia within its internationally recognized borders and with local autonomy for Croatian Serbs in 11 municipalities. [passage omitted]

[Anchorman] And finally, we have scored a splendid military and diplomatic victory in western Slavonija. On the other hand, today, some joint entity of the occupied parts of Croatia and Bosnia-Herzegovina is being hinted at. What will be the first task of Croatia's diplomacy?

[Granic] We do not regard this as something unexpected. On the contrary, our success in western Slavonija has brought about an even deeper rift among Croatia's Serbs in the occupied territories. We should not forget their total number, it does not exceed 170,000. Not a single refugee, among those who have arrived in Bosnia-Herzegovina from western Slavonija, has decided to head for the occupied territory of the Republic of Croatia. They are rather fleeing to Serbia. This is the most telling sign—over 100,000 Serbs, in our estimate, 120,000 Serbs have fled the occupied areas of the Republic of Croatia. There is no quality of life, no production, no protection of human rights whatsoever. Hence this is a pure form of dictatorship. We believe that even deeper splits will ensue between those who favor further war, who favor closer links with Radovan Karadzic, and those who favor talks and integration.

I believe that this artificial entity will collapse from within. We will, of course, strive to diplomatically contribute as much as possible to this, so recognition of the Republic of Croatia by Belgrade can follow as soon as possible—not at any cost though. Why, we also believe that Croatia is capable of doing so on its own. Likewise, if this proves impossible by any other means, we will nevertheless try at this moment to do our best to reintegrate [occupied territories] peacefully with—by all means—the assistance of the international community and the UNCRO mandate in Croatia and negotiations.

On Banja Luka Situation

LD2105194495 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 21 May 95

[FBIS Translated Text] We have already reported on Croats being driven out of Bapska and Sarengrad [north

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of Sid, near Vukovar]. Jadranka Kosor has talked to Mate Granic, deputy prime minister and minister for foreign affairs, about this report.

[Begin recording] [Kosor] Mr. Granic where are the Croats who have been driven out of Bapska and Sarengrad? Do you have any reports about them?

[Granic] We do, we have reports that they are under pressure and are being driven out. Ambassador Markovic [to Belgrade] and his aides have visited Sid. The local authorities, however, did their best to prevent him from seeing anything. We are mounting pressure via Belgrade and international humanitarian organizations, as well as via the Council of Europe, the EU, and the UN Security Council. Not just regarding the Croats of Bapska, but also regarding Croats further afield, Croats in Srijem, and particularly the Croats of Banja Luka who at the moment are under the most serious threat. At the moment the most horrible things are taking place there, meaning classical terror and attempts to thoroughly expel Croats from Banja Luka.

We are going to do our best by mounting pressure via the international public and all international bodies, as well as mounting direct pressure on Belgrade so as to do everything to protect Croats in their homes.

[Kosor] Do you know the whereabouts of the people expelled from Bapska, Sarengrad, and earlier on Ilok? When are they going to arrive in the territory of the Republic of Croatia?

[Granic] Following our first sharp reactions and pressures it is obvious that the situation has calmed down somewhat. This certainly means that it is no longer a case of the kind of numbers that were mentioned in the beginning. We will certainly strive to enable Ambassador Markovic to reach every individual. The main aim is to involve UNCRO [UN Confidence Restoration Operation] in Croatia in this and to protect Croats in their homes. This is our basic aim.

[Kosor] Finally, have you received any reports on Bishop Komarica who has gone on hunger strike?

[Granic] This report has not been fully confirmed. I talked to Anicic, the vicar [of Banja Luka], yesterday. The bishop is staying at his home, he is in daily contact with Zagreb. [end recording]

On European Parliament Talks

LD2105152795 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 21 May 95

[FBIS Translated Text] Prior to his meeting with President Tudjman, Otto Von Habsburg [European Parliament member] had talks with Mate Granic, deputy prime minister and minister for foreign affairs. Reporters were told what they talked about.

[Begin Granic recording] We talked about the overall situation in the region, particularly in the occupied territories of the Republic of Croatia, and the situation in Bosnia-Herzegovina in light of the Mostar agreement, the meeting in Zenica, and the negotiations in Belgrade between U.S. representatives and Milosevic [president of the Republic of Serbia]. Most of the time we discussed the problem of European integration regarding the Republic of Croatia.

We expect negotiations will continue between the Republic of Croatia and the EU on trade and cooperation, including our joining the PHARE [Poland-Hungary—Actions for Economic Reconversion] program and our full membership in the Council of Europe in September. We also talked about how to inform European deputies better about developments in Croatia. In any case, we thank Otto Von Habsburg for everything he has done so far and is doing now to promote Croatian interests in the European parliament. [end recording]

TANJUG Reports on Tudjman 'Personality Cult'

LD2105141295 Belgrade TANJUG in English 1343 GMT 21 May 95

[By Nikola Stanojevic]

[FBIS Transcribed Text] Zagreb, May 21 (TANJUG)—Historians in the service of the Croatian regime claim that Croats are 'one of the oldest people in Europe,' and an MP even said that Adam had been a Croat.

'Europe, Rome, Italy, the Pope and European leaders have only Croats to thank that Europe is not Muslim today, that Rome is Christian today, that Europe is Christian today,' Don Anto Bakovic said recently.

In such an atmosphere, words are not spared to praise President Franjo Tudjman, because the leader of such a people must be unique as well.

Local commentators used the 'magnificent operation' (the attack on western Slavonija, sector west of the Republic of Serb Krajina) to compare Tudjman with Kemal Ataturk and Charles de Gaulle.

Tudjman is also called the 'father of the nation,' 'sovereign', 'father of the homeland,' and a leader who makes use of the 'historical wisdom' of Croats.

The Croatian Army killed about 1,000 Serb civilians in its aggression on western Slavonija begun on May 1, according to incomplete figures of the Serb Krajina authorities, and forced about 15,000 others to flee, while

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1,700 Serb civilians and soldiers have been taken to Croatian camps.

Tudjman is a 'famous' strategist, who has the 'reactions of a genius' and is also 'excellent' at tennis.

The sketch for such a portrait of a 'supreme leader,' as Tudjman also likes to call himself, was not made by his 'subjects' but by people who hold high positions in the hierarchy of power.

The latest contribution to this idolatry came from assembly speaker Nedjeljko Mihanovic.

'Croatia has not had a state sovereign for nine hundred years, since 1102, and King Petar Svacic,' he said. Today, finally, it has one again, because 'dr. Tudjman is the state sovereign of the republic of Croatia,' Mihanovic said.

Mihanovic confirmed what was already known to the wide masses of subjects of the 'father of all Croats, wherever they may be.'

Tudjman realizes his ideas in resolving all major questions in the country from political to economic, from cultural to sports, using the ruling party, parliament and the mechanisms of executive power.

The idolatry of the 'beloved supreme leader' is definitely spearheaded by politician Hrvoje Sosic who was appointed deputy in the parliament's upper house by Tudjman.

'Even the biggestpworld powers supported their military leaders with the most exalted words, and the people prepared triumphant receptions for them—from Caesar to Napoleon,' said Sosic in a flood of emotion for his home and country.

He explained to Croats that 'support is given with all the words that can be found and with all one's heart.' This is particularly important with regards to 'Croatian supreme leader and strategist Franjo Tudjman.'

'Franjo is the father of the homeland who is believed, who is relied upon and trusted, whose word is expected and listened to so that one may know what to do,' sosic said.

On another occasion, Sosic proposed the founding of a new croatian academy of science and arts which would be headed by Tudjman.

Perhaps Sosic was surpassed only by court writer Ivan Aralica who likened Tudjman to Moses.

Idolatry is encouraged by Tudjman in his specific way. He constantly singles out hmself, sociologist Slaven Letica said in the latest issue of FERAL TRIBUNE, one of the few remaining Croatian independent weeklies.

'The way in which Tudjman identifies himself with the state is increasingly sadder and stronger. He has surrounded himself, at his own wish and choice, with people to whom he is superior in every way,' said Professor Letica.

'And that is a dangerous environment for a man who is not exactly endowed with encyclopedic knowledge, imagination or infallible political instinct,' said Letica, formerly advisor to Tudjman.

'It is evident that the regime intellectuals and reporters are trying to create a new personality cult, a new big golden calf,' he said.

There are also those who conclude, however, that this job has more or less been completed. Television and regime press have greatly contributed to this, making careful note of Tudjman's every step, even if he is not attending certain events as the 'father of the nation.'

Serb Krajina Unification With Bosnia Serbs Seen

Mikelic: 'Inappropriate'

AU1905165195 Belgrade Radio Beograd Network in Serbo-Croatian 1502 GMT 19 May 95

[Interview with Borislav Mikelic, "prime minister" of the "Republic of Serb Krajina," by Katarina Andric Milosavljevic in Borovo Selo on 19 May—recorded; from the "An Argument More" program]

[FBIS Translated Text] [Milosavljevic] Mr. Mikelic, since the assembly has already been discussing the first point on the agenda for two days, namely the report on Croatia's aggression on western Slavonia, can you tell us what you think about it?

[Mikelic] I think it is logical that this should be the main topic of the session of the Republic of Serb Krajina assembly yesterday and today. The greatest part of the debate has so far been about how this aggression happened and how western Slavonia fell militarily.

What I can say, since I have not taken part in the debate so far—I hope I will speak after this break, in the next two to three hours—is that the people from western Slavonia, those who were witnesses to it, those who took part in the operations, as well as those who saw, I would say, this military destruction, that they gave their assessment of what and how much was done by the 18th Corps, how the events developed, and, in a way, how they experienced all this after the 1st Krajina Corps had issued a statement on that day, on 1 May, at 1200, via its information center that it would not take part in operations in western Slavonia.

People have spoken about this here at the session today, and probably, to judge from how the discussion has been

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progressing—and the central theme is how the military defeat happened—it is certain that this will be discussed until the concluding part of the assembly's discussion on western Slavonia.

[Milosavljevic] Do you think the individuals responsible will be named today; those who were responsible for such a poor defense of western Slavonia?

[Mikelic] I do not know whether the assembly will have the task of naming or judging those responsible. I think the speeches that were heard yesterday, including the one by Celeketic, the former commander of the army and the general staff of the Republic of Serb Krajina army, more or less showed and described what happened in western Slavonia from the military point of view.

[Milosavljevic] Can you tell us what you are going to talk about?

[Mikelic] No. I will speak about several issues, but do not want to mention them beforehand.

[Unidentified correspondent] Mr. Mikelic, in your view, to what extent is the unification of the Republic of Serb Krajina and the Serb Republic [Serb entity in Bosnia-Herzegovina] possible, considering the dissatisfaction among the people from western Slavonia with what they have experienced in the Serb Republic?

[Mikelic] I think that after events happened in the way in which they did, this issue is generally inappropriate [deplasiran] today. On the other hand, there is no reason for the Republic of Serb Krajina to submit itself to something political and economic, whatever, to something that has not been properly analyzed to this date. Nor do we know what the prospects are going to be.

A commission will probably be set up and this commission will meet their commission, which was set up at the assembly session in Sanski Most. I suppose the commission's task will be to analyze in the future a model of relations and what relations could exist between the Republic of Serb Krajina and the Serb Republic. What is quite precise and correct is that things are judged by specific things, and not with documents.

Mikelic Stance Opposed

LD2005170995 Belgrade SRNA in Serbo-Croatian 1630 GMT 20 May 95

[FBIS Translated Text] Borovo Selo, 20 May (SRNA)—The deputies in the assembly of the Republic of Serb Krajina [RSK] spent the third day of the assembly session in Borovo Selo discussing the consequences and responsibility of individuals and of state bodies for the fall of western Slavonia.

The RSK Assembly suspended the session late last night after a two-hour report by Prime Minister Borislav Mikelic. The session resumed behind closed doors at 1220 today.

It has been unofficially learned that the stances presented by Mikelic met with disagreement and condemnation from a majority of the deputies, especially his comments on the inappropriateness of plans for the unification of the RSK and the Bosnian Serb Republic.

"I cannot see the need at this stage for us to embark on a project which has an unclear future," Mikelic said and added that he and President Martic "have diametrically opposed opinions on the future of the country and its relationship with Serbia."

Under the second point on the agenda the Assembly will discuss UN Security Council resolution 981 on changes to the UN Protection Force [UNPROFOR] mandate on the territory of the RSK and Croatia.

Deputies are also expected to vote on the draft plan for the unification of western Serb lands which is to be submitted on behalf of the deputies club of the Serb Democratic Party of Krajina by Krajina Foreign Minister Milan Babic.

The proposal for urgent unification which contains six points, envisages, among other things, the convening of a joint assembly of the Serb Republic and of the RSK by the end of May.

The work of the Krajina parliament in Borovo Selo is being followed by 56 accredited domestic and foreign journalists.

Assembly Votes for Unification

LD2005183295 Belgrade TANJUG Domestic Service in Serbo-Croatian 1733 GMT 20 May 95

[FBIS Translated Text] Borovo Selo, 20 May (TANJUG)—The Assembly of the Republic of Serb Krajina [RSK] decided unanimously in Borovo Selo today to start implementing the unification with the Bosnian Serb Republic, RSK Foreign Minister Milan Babic told journalists.

The decision was passed on the proposal of the group of deputies of the Serb Democratic Party of Krajina. The decision specifies that the unification should be carried out at a joint session of the assemblies of the two countries, which will be held before the end of May at the latest.

Prior to the session, the interrepublican commission will draw up a unification plan. It was decided today that the commission will comprise, on behalf of the RSK,

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Milan Babic, chairman of the Serb Democratic Party of Krajina; Ranko Vujic, head of the deputies club of the Serb Radical Party, and Justice Minister Uros Funduk.

The decision to start implementing the unification between the RSK and the Serb Republic stresses in particular that the unification will not be carried out against the interests of the other Serb countries, and that it will be coordinated with the Federal Republic of Yugoslavia.

Mikelic Blames Military for West Slavonia Defeat

LD1905232395 Belgrade TANJUG Domestic Service in Serbo-Croatian 2230 GMT 19 May 95

[FBIS Translated Text] Borovo Selo, 19 May (TANJUG)—Deputies to the Assembly of the Republic of Serb Krajina [RSK] did not manage to end their debate on Croatia's aggression against western Slavonia at today's session which ended at about midnight. They started the debate yesterday.

President of the Krajina parliament Rajko Lezajic told reporters that the session will resume at 1100 tomorrow. Today's closed-door session was addressed by 35 deputies. They also fielded many questions.

RSK President Milan Martic and Krajina Prime Minister Borislav Mikelic presented their views on the military defeat in western Slavonia. The Krajina president did not want to talk to the press about what he told the deputies, reiterating his statement made prior to the session that "the tragedy of western Slavonia should be analyzed as a consequence of wrong political activities over the past year and half and only then as a military defeat."

Following today's session, Prime Minister Mikelic said that the closing down of the highway on 24 April, which was ordered by president Martic without consulting him, had been the prelude to the tragedy of western Slavonia.

The Krajina prime minister believes that the top brass did not take the necessary defense measures, although intelligence sources warned them of possible Croatian aggression on 1 May.

Tomorrow, Krajina's parliament will discuss the mandate of the UN forces and the integration of the RSK and the Serb Republic.

The deputies of the Serbian Radical Party [SRS] of the RSK and the Serbian Democratic Party of Krajina will submit to the assembly their blueprints for this integration.

Djukic Mentions Galbraith in 'Negative Context'

AU1905152295 Zagreb VJESNIK in Serbo-Croatian 11 May 95 p 5

[Report by Davor Verkovic on an SNS press conference: "Djukic Offers To Mediate"]

[FBIS Translated Text] Zagreb—As expected, a press conference of the Serb National Party [SNS] held on Wednesday [10 May] devoted a lot of time to analyzing the recent Croatian Army operation and its effects on the Serb population in western Slavonia.

Party President Milan Djukic assessed the operation as a step backward in the process of searching for a solution to Croat-Serb problems, and stressed that "the war option that was applied in western Slavonia must not be a model to be applied in the future as a possible attempt to resolve the conflict. The Serb population in western Slavonia was always the 'mildest,' ready to solve the war through peaceful means. The way in which the operation was carried out and the attempted ethnic cleansing of the area does not show the Croatian authorities's goodwill. On the other hand, we condemn the shelling of Zagreb because this should not have been the response to the events in western Slavonia."

SNS President Djukic condemned the "untruthful reporting by the state media," and he also on several occasions mentioned U.S. Ambassador Peter Galbraith's name in an extremely negative context. He said he and the party's leadership had toured the fronts in western Slavonia several times and concluded that "traces of the crime" could be detected and that the party would issue a timely report on this. "Many people disappeared overnight and we have no information about them, and there is also no information as to whether or not the Serbs that have been released from the collection centers will be put on trial. We have evidence that Croatian troops are approaching Serb houses and are threatening [the occupants]; moreover, cases of looting and destruction of Serb houses have also been reported. The percentage of suicides is extremely high. The Serbs that have fled are afraid and this is now the Croatian authorities' last chance to try to gain their trust. I take this opportunity to use you journalists to announce my offer to mediate between the Serb refugees and the Croatian authorities," Djukic said.

The SNS president expressed fear that "everything has already been planned and agreed between Tudjman and Milosevic," and concluded that the role of the UN Confidence Restoration Operation in Croatia is "unclear and tailored to fit U.S. interests," and that "it floundered from the very start."

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Dragan Hinic, member of the party's presidency, interpreted the events in western Slavonia somewhat differently. He concluded that, although several lapses had occurred, he nevertheless assessed the operation as positive, and said that, unlike in other operations—in the Medak pocket and Maslenica—it was clear that the Croatian authorities were striving to establish coexistence in the area.

Daily Profiles New Krajina Army Commander

AU1905205295 Belgrade POLITIKA in Serbo-Croatian 19 May 95 p 16

[Article by R. Pavlovic: "The Arrival of a Warrior From Vukovar"]

[FBIS Translated Text] After two obviously unsuccessful solutions concerning the chief of the General Staff of the Serb Army of Krajina (SVK), the Supreme Defense Council of the Republic of Serb Krajina, the day before yesterday, pulled out a new trump card. Lieutenant General Mile Mrksic was appointed new commander in chief of the Krajina Serbs.

The 48-year-old general, who was born near Vrginmost, is a real enigma for the public as almost nothing is known about this officer, who, according to some military analyses, belongs to an "exclusive faction of hardliners," and because he has never promoted himself in the media.

He is now the top man in the Army of the RSK [Republic of Serb Krajina]. The first time he appeared in the public's eye was at the end of the operation to liberate Vukovar, at the end of November 1991. At that time a colonel, Mile Mrksic held the position of commander of the Guard Brigade. From about the middle of September, when the siege of Vukovar started, the colonel was in charge of the "Jug" operations group.

The Guard Brigade and Col. Mrksic were credited with great merits for the successful completion of the three-month "Vukovar" operation, which, as not only domestic but also foreign media claim, represented a major success for the federal army, while the fall of Vukovar represented the greatest loss for the Croatian Army.

"Continuous and fierce fighting lasted 50 days, at least as far as my unit was concerned. The fighting was hand to hand, for every house, for every street. The enemy, who was well armed, was determined to defend the town-fortress on the Danube. For the Croatian separatists, Vukovar represented the foundation for some kind of independent state," commander Mrksic said at the end of the fighting, saying that the battle for Vukovar would be studied at military academies.

Of course, no one denied the merits of the Guard Brigade, its commander, and other officers who participated in one of the biggest operations during the civil war in the SFRY [Socialist Federal Republic of Yugoslavia], but among the domestic public there were also very conflicting interpretations and theses about the (un)success of the three-month siege of Vukovar by the units of the JNA [Yugoslav People's Army] and various volunteer groups. One such criticism was that the JNA forces unnecessarily demolished the town, that they literally razed it to the ground with excessive shelling, instead of using cleverer tactics and strategy to avoid destruction and unnecessary casualties, which were not insignificant in the federal army.

Owing to his merits on the battlefields and, of course, unquestionable military virtues in peacetime, Col. Mrksic was quickly promoted to general and appointed commander of the Corps of Special Forces of the Army of Yugoslavia. In the middle of 1993, when major staff changes took place in the Yugoslav Army's leadership, the name of young Gen. Mile Mrksic was found on the unofficial list of candidates for the chief of the General Staff. With the election of Gen. Momcilo Perisic as chief of the General Staff of the Army of Yugoslavia, Gen. Mrksic left the Corps of Special Forces for the General Staff, where he was given the post of assistant chief of the General Staff. In other words, he performed the duty of the chief of the sector for land forces.

Military Pressure on Serbs: 'First Results'

AU2005191995 Podgorica MONITOR in Serbo-Croatian 12 May 95 pp 16-17

[Commentary by Vladimir Jovanovic: "Effects and Illusions"]

[FBIS Translated Text] At the end of this week, Serbian Lieutenant Colonel [potpukovnik] Stevan Harambasic, commander of the 51st Pakrac Brigade, together with Gataric and Dobric, commanders of the 59th and the 63d Squad, surrendered to Croatian troops near Pakrac, which was the end of their resistance in western Slavonia. On 3 May, with the entrance of Croatian tanks and armored transporters into Stara Gradiska, at the southern end of the enclave, the territory of "Krajina" was cut down by 2.9 percent, and now amounts to 16,500 km2, if one counts the demilitarized area of the Medacki pocket [Medacki dzep] as well. In other words: Around 1 percent of the total territory of the Republic of Croatia has been liberated.

Those who did not believe it before, have now been convinced that the "Krajina" forces are inferior to

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the Croatian Army, that they cannot maintain the separation lines, nor are they capable of conducting a powerful counterattack, which could possibly grow into a counteroffensive.

Martic boasted that he himself had given the order for the Serbs' strategic weapons, the medium-range rockets, to be activated, to attack Croatian civilian targets by way of retaliation. Thus, complaints about yet another Croatian plot and the simulation of a Serbian attack could not be used this time, as in the case of the shelling of the Croatian presidential residence, the massacre in Vase Miskina Street [Sarajevo 1992], or Markale market [Sarajevo 1994]. However, Seselj said that in Baranja [a Serb-occupied part of Croatia], under the influence of the Serbian secret police, there were some obstructions to Martic' orders, so that Osijek was not shelled—and it seems that that was the intention. Some see this as proof that Milosevic signalled Zagreb to take western Slavonia. That is a doubtful "conspiracy theory." Those who support it believe that an agreement is possible; they say that proof of this is the official inertia of the media (which was true only in the case of the first state news program on 1 May, as they were still waiting for the government statement), or the "mild" statement by the General Military Council (which is not true either, since it characterized the Croatian attack as "a criminal act of aggression"). They rely on the power of their arbitrary observations, and in general they speculate irresponsibly.

In the case of the "Panonia Storm" operation, there can be absolutely no mention of any sort of agreement between Zagreb and Belgrade. It is known that on the diplomatic level, Milosevic rejected the plan of the great powers' ambassadors in Zagreb ("Z-4"), but he forced Croatian Serbs to agree to gradual talks. The hard core in Knin, concentrated around Martic and the General Staff, i.e. the General Military Council of "Krajina," opposed this for their own reasons, but they lost their grip on the course of events—in western Slavonia in particular. That part of the highway was Belgrade's great asset in the diplomatic process, in channeling the appetites of Krajina Serbs and slowly legalizing Serbian military successes from 1991, which guarantees basic elements of the Serb entity in Croatia; which in the long run means integration with Serbia.

The conflict between Knin and Belgrade does not go beyond the point where they disagree on the issue of the selection of methods and the time factor in legalizing the outcome of the war; and it by no means goes to such an extent that Milosevic, indignant at Martic's stubbornness, would send a signal to General Tudjman to break a Serbian corps, to assume control of the main traffic artery of Slavonia, and—as it turned out later, judging by the reactions of the West—to strengthen his position in general.

Talks between Zagreb and Belgrade concerning the exchange of territories certainly existed (Prevlaka was also included) at the time of absolute Serb military predominance and during the joint Serbo-Croatian aggression on Bosnian independence, especially at a time when the Army of Bosnia-Herzegovina practically did not exist. Since then a lot of things have changed, and the epicenter of the new atmosphere is in the changing situation on the Bosnian fronts and in the Washington agreement. The Zagreb government, just like the one in Sarajevo, is no longer in the mood to make deals with even a millimeter of their territor, and the military option and that sort of pressure on Serbian politicians has already shown its first results.

The strategists of the "conspiracy theory" seem to have at least expected the army of the "Federal Republic of Yugoslavia" [FRY] to respond to the energetic Croat operation, as a sign that Milosevic did not "approve" of the whole thing. Technically, the military support to western Slavonia could not have been provided from Serbia in such a short time, except for the limited support from the air, but that is a sensitive area for Belgrade, with heavy consequences of an open aggression on a neighboring state. The employment of one of the three intervention brigades could also have no justification on the ground, and everything would surely result in the spreading of war to the territory of Serbia. This process would strengthen the nationalistic opposition and the destruction in the leadership (in particular the military one) around Milosevic, which would be directed against him, and under such conditions it is hard to imagine that Milosevic could peacefully step down from the power, and idly spend his pensioner days in Pozarevac [the home town of Slobodan Milosevic]....

If there can be any mention of a "betrayal" of western Slavonia, then it came solely from Pale, which has an agreement with the army of "Krajina" and is bound to intervene in case the latter is attacked. That did not happen, for the reasons which have already been explained. Thus, General Ratko Mladic [military leader of Serb-occupied parts of Bosnia-Herzegovina], after his debacle in Bihac, and the loss of Kupres and Vlasic, is more and more characterized as a "traitor," and there are more and more Serbs who say that Gen. Mladic is "incapable" of leading the Serb army any more....

We are now in a short period of the consolidation of military and diplomatic positions. It seems that the emphasis in Croatian plans is being placed on the territory of Banija, Lika, Kordun, and northern Dalmatia, whereas the 3d Operative Zone of the Croatian Army, facing

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Baranja, eastern Slavonia, and western Srem is getting prepared to put up with a possible attack of Serbian tanks from that area. The strengthening, both technical and tactical, of Croatian forces, and the activities of the 5th Corps of the Bosnian Army at the back of Krajina Serbs, reduce the main advantage of the Serbs, which is in the geostrategic position of "Krajina," in its being 'hewed into' the territory of Croatia, which—in the conditions of lack of suitable military equipment—limited Croatian maneuvers in outer operational directions, and the development of a starting operational arrangement.

It seems that this has for the greater part been overcome, and the activities of Dudakovic's forces [General Dudakovic, the commander of the 5th Corps of the Bosnian-Herzegovinian Army] troubles Serb generals, since the Una zone breaks the spine of the Greater Serbia.

The Serb leadership across the Drina now needs any—if minimum—success on any of the fronts, which would have the function of the restoration of self-confidence. The morale among the troops has been dangerously shaken, and the effects "wasted" in pretentiously designed, factually unsuccessful, attacks on Bosnian enclaves, and in incessant employment of artillery and of rocket systems without any particular sense.

This war has been going on long enough for one to be able to say that the conflicted parties know each other almost in detail, so there are hardly going to be any moves from the Bosnian or from the Croatian side which would, in their planning or conducting of future operations, underestimate Serb forces—which might be fatal. Intelligent timing and clever choice of the area of attack will probably remain a characteristic of their actions, without any battles on the military-strategic scale, which would imply huge risks. Serbian advantage still lies in superior military equipment, thanks to which they can undertake heavy shellings, with heavy consequences for the enemy and the blocking of their internal communications, in particular in central Bosnia, but also, in Croatia, along the [Zagreb-Belgrade] highway, between Karlovac and Duga Resa, and in Maslenica.

[Box, p 17]

The Troubles of Gen. Mladic

What has been going on with Gen. Mladic? Serbian media reported that before the session of the parliament of "Serbian Republic" [RS] he had a meeting with Milosevic in Belgrade; at the assembly in Sanski Most, allegedly, trying to defend himself from the accusations of Karadzic's delegates, he said that his army had no perspective as long as the embargo on the Drina river [border between Bosnia and Serbia] exists. In all this, many recognized the nearing of Gen. Mladic's attitudes to those of Milosevic, but nobody knows if this also happened concerning the necessity of agreeing to the plan of the Contact Group?.... It seems that the embargo on the Drina reduces the efficiency of Mladic's units, and he is no more able to finalize the planned reform, which would result in the creation of bigger mobile tactical formations, which—if needed—would at the same time react to two crisis areas at the least, as was the case with recent offensives at Vlasic and Majevica. And it seems that Bosnian generals will use the same strategy in future as well.

The army of "RS" is of a typically static character, which, under the new conditions on Bosnian fronts, together with the already mentioned sinking of morale, makes the defense of the occupied territories more difficult, which means that the two corpses in Krajina have no chance of getting any significant support from the other four (the Drina Corps, the Eastern-Bosnian Corps, the Sarajevo Corps, and the Herzegovina Corps), because of the Bosnian-Croatian (from Orasje and across the Sava) control over the corridor.

Gen. Mladic is, therefore, in a very delicate position, and it seems that for the first time since the beginning of the war he has become aware of his relatively bad combat grouping in the depth of the front, and the unsolved military-strategic problems concerning the corridor and the Una zone. And precisely that situation will probably give wings to his rivals, both to those in Pale and to those in Belgrade, among the nationalist opposition.

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Banned Radio, TV Stations To Take Legal Action

AU1905132395 Skopje MIC News in English 18 May 95

[FBIS Transcribed Text] Following the ban on the work of 24 radio and television stations by the Ministry of Transport and Communications, the private stations will sue the ministry. Four lawyers have already been hired for this purpose.

The actions continued yesterday. In Skopje, the TV stations Dzaro, Sutel, MC, ERA, and BTR have been closed and their transmitters confiscated.

The decisions of the Republic Inspector for Radio-Communications call upon Article 94 of the Law of former Yugoslavia for systems and connections for radio and Post Office traffic from 1979. The explanation goes as follows: For not possessing a permit from the Ministry of Traffic and Relations.

Minister Buzlevski explained that some 250 radio-diffusion subjects are active in Macedonia, while there is room for twice as little. The aim of the action would be to overcome this chaos and establish "fair play." Specifically, according to Buzlevski, that would mean providing pre-conditions for those who seriously feel they have to be involved in this business.

On its behalf, the Steering Committee for the formation of an association of private Radio and Television stations demands a law on radio-diffusion to be adopted in the shortest term possible. According to them, the action of the Government does not have any legal grounds, as the Ministry never even issued the permits it is demanding. This association is demanding a clear legal regulative which will be applied on time and equally for all.

The Democratic Party supported the protest of the private stations at yesterday's news conference. This party accused the Government of the chaos in the radio-diffusion, as well as of refusing to adopt a law on radio-diffusion, although five years have already passed. According to them, the competent ministry first allowed registration, formation, and investments in the private stations, and now, it decides to stop them from working.

Interior Minister Opposes Security Department

AU1805153895 Skopje NOVA MAKEDONIJA in Macedonian 17 May 95 p 4

[Interview with Interior Minister Ljubomir Frckovski by A. Soljakovski and S. Colakovski; place and date not given: "Resistance in Police Reform"]

[FBIS Translated Text] The announced reforms in the Interior Ministry of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] generated particular attention from the very outset. Following the adoption of the Law on Internal Affairs, the Laws on the Directorate of Counterintelligence and Security, and the Law on the Counterintelligence Agency, the police have been involved in new reforms. The proposal on abolishing the Security Department generated unusual excitement. We discussed this and other questions with Interior Minister Ljubomir Frckovski.

[NOVA MAKEDONIJA] Mr. Frckovski, there is a belief that the role of the police in the state is overemphasized. The Interior Ministry, for instance, is always attacked by the opposition and blamed for the government's actions. The government is often identified with the police. Is it because the role of the police is overemphasized or because of some other objective relations? For instance, a citizen usually faces the government with the mediation of the police.

[Frckovski] First, the police department was placed in certain objective circumstances. It was the only ministry in the state that continued to function as a whole after the collapse of the former Yugoslavia. The police department was structured in a way that is normal for any other country and because of that, it was not substantially affected negatively by the collapse—as was the case with the other ministries. We were fortunate to see it, conditionally speaking, in a firm reformist line, and there were no dilemmas here. Its functions did not collapse. In a situation of insufficiency—or, so to speak, small activities of the rest of the administration—the police became important because, at the beginning, it also covered the borders. In 1991 there was a minor increase in crime in the towns. After the Army had taken over the borders, the police concentrated solely on routine activities, and the crime rate decreased. However, there is still "white collar" crime—that is, economic crime—which is slowly increasing.

Another trend was theft, first of all through connections in Serbia and Bulgaria, where such chains exist, but now it has been brought under control. The classic forms of crime—murders, drugs, weapons—were under control from the very outset. Let us not forget that all this was carried out alongside the reforms. We succeeded in performing all this and in preserving all the normal functions. I really think this is a rare example in post-communist countries. Foreigners usually have a way of bringing this up because they have different experiences. All the accusations addressed to us by the domestic opposition were exactly related to the internal changes, in spite of the fact that the Interior Ministry leadership is composed of professionals from the province. This contributes to a professional hierarchy in the ministry that

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guarantees the functioning of the state regardless of the changes taking place at the political level of the ministry. It is exactly the order that provides stability to the state. This is one of the reasons for the low level of crime as well.

Unnatural Connection

[NOVA MAKEDONIJA] Concerning the reforms, there have been extensive dilemmas as regards the Security Department. What is the reason for this?

[Frckovski] There was a strong resistance against all the reforms in the Interior Ministry because we support strict reforms and because a number of structures are being constituted in one way or another. Moreover, although there are not any authentic arguments for supporting the old positions, there are always different political interests, as well as people who consider themselves personally endangered. Some of the reforms are referred to as an unnatural connection between this ministry and one of the departments. The Security Department was established by a decision of the former Federal Ministry of the former Yugoslavia, and the former federal minister of education explained the reasons for it. Such an influence of a minister over a department that was not a police academy was unnatural and stringent. The current law, for instance, gives me, the minister, the right to do with this faculty whatever pleases me. I simply do not want to have this right because it is not a natural right. I do not challenge the Security Department! Let the president of St. Cyril and Methodius University propose and create a Security Department. Let him constitute two such departments if it pleases him, but he is not allowed to pass the authority of a department with which he does not know what to do, to others. Perhaps he is not capable of making a positive proposal on the department. However, I do not want to be involved. I do not want to be involved in something that I cannot support in practice, and I want to be consistent in the implementation of the reforms.

The law that is in force now allows me to define the number of applicants, which means, practically, that I can keep their number to zero and thus play games with them. I am also the one who defines the department's programs. This means that, if I wish, I can play games with them, and I find it is an extremely humiliating situation for the colleagues who accept this situation only because they want to keep the positions that they have at the faculty. You know we will pay them for their services, but it is impossible for us to keep operating on such a structure.

For instance, according to Article 48 of the law, I can mobilize all the students into special units and send them off to military exercises. I can control the department's financial means, as well as all the other matters. It practically means that the minister can do whatever he pleases with the department, and the colleagues will swallow it only because of their relatively good status there. Of course, their status can be maintained, but it has to be done within the university. Let the university form a Security Department.

The connection that now exists between the department and the ministry is humiliating for the colleagues there. I will not interfere if the university presidency decides that society in general needs such a department. It is up to them. If they ask for my opinion, I will write the same: The ministry does not need a whole department for educating its personnel. If it does need it, where and in which segments will be exactly defined. We are ready to pay for it, after making an arrangement with institutions or departments that will be formed for this purpose. We will pay, but we do not want to form a special department for this purpose. If the university considers that there is such a justification, let it form the department in the same way as other departments. There must be a standard. This position of the department is not normal—it cannot be fed by two mothers at the same time. This is why it has to be abolished with the new law.

There are some transitional rules according to which the department will be active until 1999 because of students who have already started their first year. There is plenty of time for the university until then. According to what we have anticipated, the worst scenario will be if the university lets the department "down" and refuses to or cannot form the institute. In that case, the department's employees will remain in the Interior Ministry, and their existence will never be in danger. They will be professors until 1999, until the last student has finished his education, and afterwards they will remain as ministry employees. This means that they are not facing any personal danger. This is the maximum we can do for them. Nevertheless, they cannot demand from us to be completely responsible for a structure that was designed in a completely different manner by a totally different structure and that is not needed by the ministry. For instance, Article 41 of the old law says that we are forced to employ all the students. Tell me, what kind of institution is this? Moreover, this narrow specialization leads to ghettoization because they cannot be employed anywhere else. I cannot fire any such person. If I fire them, I am convicting them to be employed as clerks that have not graduated from a university.

Defense of the Status Quo

[NOVA MAKEDONIJA] How will high-level personnel be educated?

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[Frckovski] We have proposed an educational program at four different departments. Therefore, the level of education of ministry personnel will not be lowered after the department has been abolished. The level has been systematically defined. The departments that will provide education for our personnel are as follows: economy, law, construction and engineering, technology, politics, or journalism, for instance. Actually, here we have the situation that came up in all the other discussions: A political connotation was attached to the discussion. The idea was that the abolition of the department is actually a groundless prolongation of the government of the minister over areas as is the department. This is the idea of the liberals. It was stated in their newspaper and it is just another unfortunate thesis, totally quasi reformist, because people who now claim this are actually defending the strongest position of the minister in regard to the department. If the old law remains, I will retain the strongest possible position. So, if you scratch the surface of this quasi-reformist substance, you will see that it actually has to do with the protection of a status quo that cannot be protected at all.

The present situation was designed by an old system, projected outside any university criteria, and only because of the political lobbying at the university can you can hear opinions on the matter. The university will be able to give its view on the Security Department the moment it decides to form it, provided it really intends to form it, so I do not interfere with the authorities of the university. However, the university cannot suggest to me that I undertake responsibility for a department that I am not allowed to if I respect the law. This is how reforms are obstructed. And this is just part of the reforms we have to finalize.

[NOVA MAKEDONIJA] You are being condemned for insisting that the department be abolished. Why?

[Frckovski] First of all because the connection of the Interior Ministry with this institution is totally unnatural. I am absolutely benevolent toward the colleagues working there. I am practically insensitive to attacks against me that claim that there is a group from the Law Department that wants to abolish the Security Department and so on. I did not like the last game of the people from the Council of the Security Department, when they went to the dean of the Law Department to ask him to let them join this department. I was amazed because it is precisely the Law Department that they themselves accuse of deceitful intentions.

It is a matter of principles, and the Interior Ministry must be relieved of the duties that it has toward the Security Department. The situation may be acceptable or unacceptable to some people, but I think this is the only way for the reforms to be completed.

Justice Minister Views Judiciary Bill

AU1905172695 Skopje VECER in Macedonian 18 May 95 p 3

[Interview with Justice Minister Vlado Popovski by B. Gjorgjevski and V.V. Adjigova; place and date not given: "Judiciary System Without Autocracy"]

[FBIS Translated Text] The text of a wide-ranging law on the third estate, the judiciary—the law on courts—has been finalized. The ideas of the Ministry of Justice, of the professionals and theoreticians, have been incorporated into its provisions, and thus the law has finally reached its final shape. It is now up to the government and the Assembly to give "the last word." It has been announced that the cabinet will review this law in 15 days, after which it will put it before the Assembly. No essential changes are expected in the next phase. Indeed it was stated in the Ministry of Justice that such changes will not be allowed because they would bypass the main tracks. However, resistance is expected and the ministry is ready to oppose this with arguments.

The initial version was strongly opposed by a large number of judges because they considered that the courts were being put under the control of the Ministry of Justice—that is the state—and thus that the concept of an independent judiciary would not be respected.

However, in the final version of the law, there are substantial changes that will put the executive authority at a distance from the judiciary. Further discussions will show whether this "distance" between the independent judiciary and the executive has been adequately achieved.

This is exactly the topic that we discussed with Justice Minister Vlado Popovski, also covering all the other problems that emerged during the preparations of the law.

Interpretation

[VECER] It was stressed in the discussions that the solutions offered could not form a basis for an independent judiciary. It was claimed that the role of the executive power was too prominent in this sphere.

[Popovski] We hold to the principle of separation of authority and, since all administrative and executive bodies belong to administrative and executive authorities, that is where they have all been placed. The idea of separation of authority represents a principle of weight and counterweight among the authorities to avoid giving absolute power to one authority or neglecting the

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authority of others. When we say an autonomous and independent judiciary, we do not refer to autocracy or self-sufficiency in the judiciary, which only meets its own needs. The judiciary cannot be abstracted from the general conditions in a society. If one branch of authority is hermetically sealed from others, it becomes nonsense, and the principles of separation of authority is lost. Autonomy represents a weight and counterweight in the responsibilities defined by the nature of their service. For instance, the Skopje judges panel complained that if it continued to be financed by the ministry, it would mean that the judiciary would continue to depend on the ministry and the state administration, but this is nonsense.

[VECER] The financing of the judiciary was just one cause for it being said that the justice administration dominates the judiciary system.

[Popovski] Just look at the article of the law that lays out the functions of the justice administration. The justice administration has always been carried out by ministries. It is typical of all countries. Our regulations were based on the experience of some European countries: Slovenia, Portugal, France, and Germany. According to what is stated in the law on the authority of the ministry, what is nontypical of the ministry has to be specifically pointed out. You cannot find a single element that could lead to the conclusion that the ministry is interfering with the judiciary. That is why I believe that suggestions that executive and administrative authorities should be handed over to the judiciary are a false interpretation of the principle of separation of powers. The term independent judiciary would thus become absolute and coincide with autocracy, self-sufficiency—or indicate that there is no need for any other justice body.

Warning

[VECER] In a way, the judges made an ultimatum with their demands on the law.

[Popovski] Similar remarks were issued by the judges association, in addition to those of the Skopje judges panel. They made a general comment that they "supported the comments of the Skopje panel and will insist on their acceptance." I will respond to them as I responded to the Skopje panel: If we took account of their requests, it would mean that there would be a body that would make proposals, even pass laws, or exert pressure and go on strike.

[VECER] The judges were not the only ones to complain. The Republican Judiciary Council [RJC] did the same.

[Popovski] The RJC reacted to the administrative and executive functions and requested that they should be under its authority. The RJC, a separate state body within the judiciary system, is responsible for personnel questions and education, as is clearly stated in the Constitution. If it wants to deal with finances, it has to become a part of either the Ministry of Finance or the Ministry of Justice. After they were warned about this, they accepted the fact that the RJC is not an administrative body.

[VECER] And yet, you finally agreed that the judges should be asked about the distribution of the judiciary budget.

[Popovski] It is far more practical if financial matters that are typically administrative are run by the Ministry of Justice instead of the Ministry of Finance. The judiciary budget will be distributed in agreement with the judges themselves, and the presidents of the courts (the Supreme Court and the Courts of Appeal) will always have input on the distribution of the budget.

Arguments

[VECER] Was there any concession related to whether the ministry should "propose" or just "give an opinion" about the election of the presidents of the appeal and basic courts?

[Popovski] Over the election of presidents of the courts of appeal and basic courts there was no argument, because everyone knows that in other countries the ministries propose or even appoint them. Some time is necessary for an understanding that the president of a court cannot influence the trial process. We abandoned the first variant, which was copied from Slovenian law, that the ministry should propose the presidents. However, in the final version of the text we took the view that we should do this. We must know that nobody can become a president if the Supreme Court does not approve of it. It can endlessly prolong the election and thus make the ministry's position difficult, but finally we would see who would "win": The Supreme Court, which is permanently there, or the minister who is there for a term of office.

[VECER] It is possible to expect there to be discussions on the projected network of courts within the state.

[Popovski] As far as the network is concerned, as well as the organization and the types of courts, there have been some changes in the new version compared with the old one. The methodology was based on the size of the municipality and the number of trials. These parameters will be used to decide whether or not there should be a court established in a municipality. All the municipalities submitted requests for the establishment of courts. For the reasons mentioned, some did not get

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basic courts but only court sections. To justify this, we shall indicate the average number of trials and thus legitimize our arguments. As far as the demand for a Court of Appeal in Gostivar is concerned, according to the number of trials and the size of the municipality, the evaluation is that the two and a half judges could carry out the duties there. It was decided to have only one basic court in Skopje. There had been ideas about three such courts, but we decided on this option because of the advantages that one court gives.

Government Said Misrepresenting Albanians

AU1905132495 Skopje MIC News in English 18 May 95

[FBIS Transcribed Text] Yesterday's edition of RILINDIJA, which is printed in Tirana and Switzerland, brought interviews with Rahmi Tuda—MP of the National Democratic Party—and the president of this party Ilijaz Halimi, on the occasion of the party's first congress.

The two men emphasized in the interview that Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] could not exist without the Albanians. In order to obstruct the anti-Albanian intentions in Macedonia, the Albanian subjects, as they say, should build a joint platform and create a common stand in front of the national and international institutions.

Tuda and Halimi strongly criticized the Macedonian Government, saying it intentionally created conflicts, affairs and incidents, all with the aim of presenting the Albanians as disloyal citizens of the state and destabilizing elements.

Country Increasingly Seen in 'Visa Quarantine'

AU1905133395 Skopje MIC News in English 18 May 95

[FBIS Transcribed Text] The latest move of the Austrian Government, which introduced compulsory visas from May 15th for the citizens of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], would not have passed so conspicuously had it not been for one unpleasant fact—that our country is increasingly being placed in a visa "quarantine." The Macedonian citizens, except if they do not have a good reason and a good excuse, can see the European countries only on television.

Namely, following the Austrian introduction of visas and following the strong and obvious pressure on Italy to do the same, the Macedonian citizens can travel freely only to Bulgaria, Hungary, Romania, Turkey, FR Yugoslavia, Slovenia, Poland, the Czech Republic, Albania, and partly to Russia, where a visa is not necessary, but an invitation is. To make the paradox even greater, Lithuania, Latvia, and Estonia found themselves on the list of countries that pronounced the Macedonian citizens selectively welcome. Namely, these measures against the Macedonians have been applied by newly recognized countries which probably have more candidates who want to move out than those who want to move in, as well as Luxembourg and even Liechtenstein, which most Macedonian citizens can not even find on a map.

Knowing, in general, the reasons for this protective regime of the European countries, one question nevertheless remains unclear—how can a country with two million inhabitants endanger the European Union of some 350 million, and even if we all move there, we are still far from imperiling its demographic and other structure. That is why the move of the Austrian Government and the pressure on Italy (mainly by Germany) are mostly a result of the Schengen agreement, which foresees mutual opening of the borders of the member states of the EU, and coordination of the visa policy.

The answer is mainly in the fact that Macedonia is still not managing to get unstuck from the package of "former Yugoslavia," which is the reason why it is finding itself targeted by all the measures that apply to the former Yugoslav republics, which are in a state of war and from where it is quite realistic to expect a large wave of refugees, from both economic and political reasons.

It has been explained more times that the compulsory visas present a great barrier for the Macedonian citizens. Practically, except for the services that the German Embassy in Skopje is giving, the others, in the best case, mediate in the provision of visas, while most do not do even that, as the procedure requires personal presence in some of the embassies in Sofia, Tirana, Belgrade, or even Vienna. On the other hand, in order to go there, the conditions are so limited and the deadlines so far apart, that, for example, a tour through Europe in a personal arrangement can be considered equal to a science-fiction film.

In spite of the announcements of some embassies in Macedonia that the procedure for obtaining visas for the Macedonian citizens will be considerably simplified, it is a fact that sometimes it takes weeks, and even months to get a visa for a great part of the European countries. In order to obtain a visa for some of them, first, it is necessary to get a visa for the country where the competent embassy for Macedonia is located (such is the case with Denmark, which "covers" Macedonia from Vienna). If, in the end, we are surprised by the attitude of the European countries, which, protecting their own

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interests, introduced such a protective measure toward the citizens of Macedonia, without previously providing the conditions to get them more easily, what comes as an even greater surprise is the easygoing attitude with which the Macedonian Government is accepting these restrictions (even discrimination) over its citizens, disregarding the fact that the European borders are more and more closing for Macedonia, a European country. It is unrealistic, then, to introduce some kind of reciprocity, as Macedonia is not in a position of affording it, but it can afford at least one protest, when some government surprises us which such news, like Austria these days.

Tetovo University Rector Still in Custody

AU2005193995 Tirana TVSH Television Network in Albanian 1635 GMT 19 May 95

[FBIS Translated Text] The attorneys of the rector of Tetovo University, professor Dr. Fadil Sulejmani, have lodged a complaint at Skopje District Court against the Tetovo Court decision to continue to hold Mr. Sulejmani in custody until the decision takes effect.

Meanwhile, it is reported that the Tetovo Court convicted Nevzat Halili, chairman of the Party for Democratic Prosperity, Party of Popular Unity, to one year and six months' imprisonment.

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Daily: THE NEW YORK TIMES Harmed Poland

WS1905141995 Warsaw ZYCIE WARSZAWY in Polish 19 May 95 p 2

[Article by "CEG, TW": "Further Away From NATO; THE NEW YORK TIMES Has Done Harm to Poland"]

[FBIS Translated Text] The Clinton administration may boast a double victory—it has blocked supplies of Polish arms to Iran and humiliated the U.S. supporters of Senator Brown who demanded that NATO be quickly expanded. This is all due to an article in the Wednesday edition of THE NEW YORK TIMES, which reported that, despite pressure exerted by the Washington diplomacy, Poland has decided to sell 100 T-72 tanks to Iran.

"We did not receive any diplomatic notes in which the United States protested our arms exports," says Spokesman of the Polish Ministry of Foreign Affairs Krzysztof Sliwinski.

THE NEW YORK TIMES article fails to mention the fact that the U.S. Government was informed of the contract well ahead of time and did not voice any protests because it knew this was the last shipment and that Poland was to comply with the U.S. embargo afterwards. The Polish foreign minister reported this in an interview for REUTERS soon after having taken office. The minister said at the time that our country intends to honor the contracts for arms supplies to Tehran it had already signed but would not enter into any new ones.

This is probably the very contract Minister Bartoszewski mentioned. [as published]

In exchange for not signing any more contracts with Tehran, Poland was to obtain a guarantee that it would be one of the founding members of an international organization controlling the world arms trade.

Minister: No U.S. Objections to Tanks for Iran

LD1905221995 Warsaw TV Polonia Network in Polish 1900 GMT 19 May 95

[FBIS Translated Text] Foreign Economic Cooperation Minister Jacek Buchacz said on his return from the United States that the United States had no objections to the sale of Polish tanks to Iran.

[Reporter Dariusz Lukawski—identified by screen caption] On Tuesday the NEW YORK TIMES revealed that Poland is selling 100 T-72 tanks to Iran. Minister Buchacz admitted he was concerned about the report but neither representatives of the government nor Senator Hank Brown raised the issue during talks. The Department of State reported that, in spite of the sale of tanks to Iran, it will support Polish efforts for membership in the new arms trade control organization that is to replace COCOM [Coordinating Committee on Export Controls].

[Begin recording of Foreign Economic Relations Minister Jacek Buchacz—identified by screen caption] There are no objections at this time to the Polish Government or to Polish Government actions. The issue is perhaps presented in more general terms, as a universal need or necessity to limit arms sales to Iran. But that state is not on the UN list. [end recording]

[Lukawski] During the visit, an agreement was signed on opening the Polish market to U.S. poultry. High customs tariffs meant that the Americans objected to Poland's acceptance into the World Trade Organization. The Americans will be able to make use of an import quota for 26,000 tonnes of poultry.

Minister Buchacz also discussed extending preferential tariffs for Polish goods.

In terms of turnover, the United States is Poland's seventh-largest trading partner. Last year, mutual goods exchange amounted to over $1.3 billion. According to U.S. statistics, Polish exports exceeded imports by $40 million.

Walesa Speaks at Gdansk Solidarity Congress

LD1905213595 Warsaw Polskie Radio First Program Network in Polish 1134 GMT 19 May 95

[FBIS Translated Text] Ladies and gentlemen, I have always been ready to serve, and this still applies. I wish to say to you, Mr. Chairman and assembled guests that I have never refused to meet you when there was something important going on. This does not require an invitation. That is why I am pleased that this time, I have been invited because I know that you have your own problems and a great deal really does depend on this congress; but above all, the extent to which you manage to carry out the things that are decided here depends on this congress.

Facing you are important decisions, but Poland is also faced with important decisions and I, too, am facing an important decision. These past five years have taught something to both you and me, and this is why I am happy that our meeting shall consist of the official speech that I will read, followed by a dialogue in which we shall tell one another what this period, or at least this year, which is behind us, was like and what we think we—the future president, or the union, the delegates, elected officials, or the policies that are worked out—should do in the future to ensure that all of us in Poland have a better life. I firmly believe that taking this as our

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premise, we shall try to do everything we can to make life more pleasant.

Esteemed ladies and gentlemen, dear colleagues, 15 years ago, it was really here in this place that everything started, and there are many witnesses to the fact that this is what really happened. Leading from the gates of Gdansk shipyard was the road to a free Poland—but not only to a free Poland, but also to freedom for many European nations. We won. We have an independent Polish state. There is no one from outside telling us how we should live or think. We also have opportunities to enjoy democracy. We can unite in a joint cause and shape our destiny in free elections.

I sometimes think, however, that this great victory has become too commonplace for us today. We are beginning to look upon freedom as something obvious, as something that we shall always have because, quite simply, we deserve it.

We are ceasing to see the threats. We are incapable of sufficiently exploiting our freedom so as to complete the Polish revolution, or at least so as to have greater results from this revolution and this victory. It is possible to understand why this is happening in this way. Many Poles are today disenchanted with what has been brought about by superficial reforms. We wanted democracy and a market economy so that we could live better and more justly. The Third Republic, however, only weakly brings to mind the country of our expectations, needs, and dreams. Democracy serves as a battering ram for political party games and party interests.

But I do not have to speak of this. The parties of today are just fragmentary parties, and they do not represent the majority of the people, for the majority of the country do not identify with this and quite simply do not participate in this. We have not created a system in which it would be clear who rules and who is answerable for what. I am ever more convinced that this systemic and legal mess is not the work of chance. Small, narrow parties draw benefits from this, as do also various kinds of cliques. They make sure that the water is murky, that it is not visible, that their machinations with power and money not be visible.

The free market, quite frankly, is only free in name, for it continues to be steered by, and it is still steered by a sea of functionaries. We hear, to be sure, of figures and graphs which bear witness to the fact that it is developing very well for us. Ordinary people, however, live with great difficulty. The present system most frequently gives rewards for being a wheeler-dealer, for being a wheeler-dealer and for whom you know—much more rarely for work, good ideas, and honesty. Swindlers pull billions from the state treasury without fear. Our national assets are being wasted, enterprise and self-management are being stifled.

State posts have become nests for people of the old system, who are now dressed in new costumes. They are garnering ever more power and influence for themselves. They are strutting the stage with ever greater arrogance, they are even ceasing to care about appearances. A prime minister with a communist pedigree will now be advised by a former secret policeman. It is interesting, where will they lead us? It is interesting, what constituency, what constituency will be prepared for the people by the former [Polish United Workers' Party, PZPR] Central Committee secretary and present candidate for president [reference to Aleksander Kwasniewski]?

I wonder what version of democracy and law-abidingness we can expect from those comrades? I wonder how we will be served by people trained in the political economy of socialism and the school of the gang? The struggle with these forces and people is not a question of a dispute over the past. It is a matter of principle: differentiation between good and evil. It is a question of Poland's future. Our passivity, our discouragement, is enough for them efficiently to divide up and take everything, from the parish to the capital city, from offices and banks right up to the government and parliament. The presidential chair would come in handy for them as well. Then they would have a complete set, full power over the state and the money.

We thought that 1980 and 1989 had taught them something. We gave them the chance to settle accounts with former mistakes and join in building a new Poland. They, however, preferred to bide their time, to pose as democrats and defenders of the people. The wolves are dressed in sheep's clothing, but they still have a wolfish appetite. Will we look on calmly as that pack approaches us? I have been thinking a lot recently about how I myself should behave. I have always tried to serve Poland; you know my path exactly. I am a man of trust. I trust the wise judgements of providence, which give us hope and at the same time lay responsibilities upon us. I am a man of service. As president of an independent republic, I carry out the will of the nation. For the past four years I have stood guard over freedom and democracy; I have defended equilibrium and peace. I did not hesitate to go sharply in where I saw a threat to Poland, and where I saw any kind of danger. I sometimes had to provoke, to rouse people, and speed up a solution. This had its price, but he who serves does not ask the price.

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The end of my present term of office is approaching. A little has been achieved, the Polish ship has been saved from many reefs, but have I fulfilled my mission completely? Can I be sure that the homeland is now calm and secure? I do not have that certainty, and I am sure that you also do not. For that reason, I have come to you, my colleagues, my nearest and dearest, to the place I come from. I want to look you in the eyes and hear your voice.

Ladies and gentlemen, a few elements in my written text were written here with an eye to the election campaign, and I want to tell you that the decision has not yet been made. I know where my mistakes are and I know what possibilities I have; and I know what should be apologized for, but also what I should hold against even some of you sitting here. We will talk about all this, for I won't let myself be put on horseback once again. I really was your delegate, and I really did everything—everything in my power, but in the conditions I found myself in—to serve Poland, and I serve it maximally well.

On the other hand, many assessments and even programs which are drawn... [changes thought] I even heard a certain idea here, that it is lovely—even delegations came, and even today when Walesa was regional or national chairman [sentence as heard]. That is right, so I should be a trade unionist. I am very pleased; I would like that, those were beautiful days. I could sing it for you; those really were beautiful days. In the office and place where I am, however, one has to choose. The choice sometimes has to be between two bad solutions, but there is no third one, and one has to be chosen; and many times, I was in the position of having to do that.

On the other hand, many people judge too rashly, draw conclusions too rashly. I would like all those who have doubts to come and sit in this place and think about what decisions would be made. My very beginning, when I stood before parliament and took the oath, ladies and gentlemen, what was that like? I had to swear that I would respect the laws of a communist constitution.

And of course, what was my mistake when I set out? I used to say I would strip them bare, or I said a few things. My mistake was that I should have said that I would try to strip them bare. But this rhetoric—no one had been president before—I had not. This caused me to do everything to bring that about, but executive possibilities were not mine. If someone looks closely—things that are written down for me—what I should have implemented as president, all that has been done—and no one has complained in the least. [sentence as heard] But I wanted to do more. I wanted to serve better; and now of course I have to pay for all that.

And I hope that before these decisions, before your decisions—because this is not a question of Walesa, it is a question of Poland, it is a question of not letting our victory go completely to waste, it is a question of drawing conclusions and improving things. And that is why I am hoping for a discussion in which all of these arguments, both good and bad, will be delivered uncensored, so that a reminder comes from this place once again that we remember, so that our struggle, the final moments of our struggle, come from Gdansk. The last two strikes, do you remember what they looked like? Who remembers that, and the battles that we had here? Today there are greater heroes and they want to have successes, forgetting that the victors also deserve something.

I will now finish my speech here. I encourage you, ladies and gentlemen, to take part in the meeting during which we will say what we have not managed to write and say in the text. To those who for a variety of reasons do not want to show their face when they ask their questions, because there are people like that among us, too, I suggest that they write their texts and present them anonymously, because I am not afraid of any questions, I have nothing to hide; and because of that, I would like these questions to be raised too, so that the cameras and our colleagues have no complaints if there is an embarrassing or brutal question. I expect such questions, because you have to back reliable players and reliable solutions, and because of that I encourage you, ladies and gentlemen. But I have to move over there now, because we have to have equal opportunities. Since you are sitting down, I will sit down for a bit too. Thank you. [applause]

Walesa on Conditions for Running for Presidency

LD1905145495 Warsaw PAP in Polish 1409 GMT 19 May 95

[FBIS Translated Excerpt] Gdansk, 19 May—President Lech Walesa will again run for the highest state office. He made this announcement on 19 May in the course of a meeting of delegates to the Gdansk Region Congress of the Independent Self-governing Trade Union [NSZZ] Solidarity. He made the reservation, however, that he has still not yet made the final decision because he wants to hold consultations first. [passage omitted]

"I have no choice, I cannot desert, I will fight to the last drop of my blood," Walesa told Solidarity delegates. The president stressed that he is "not at all keen to take on for the second time the office of president of the Polish Republic." He clarified that for this to be purposeful he must have the appropriate infrastructure, which will not only guarantee that he wins the presidential election but will, above all, assure

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that the "main battle for parliament" is carried through. The president said that, if things are to be different, he "does not want to have himself defeated in the end, to become a total laughing stock. You must promise that you will come to parliament," President Walesa appealed to the delegates.

Kozyrev, Bartoszewski Hold News Conference

LD1905134095 Warsaw PAP in Polish 1227 GMT 19 May 95

[FBIS Translated Text] Gdansk, 19 May—Minister of Foreign Affairs Wladyslaw Bartoszewski, asked at a Friday news conference in Gdansk about the state of Polish-Russian relations, said: "I do not agree with the opinion that Polish-Russian relations have been tense. I know nothing of this."

Andrey Kozyrev, the head of the Russian foreign service, was of a similar view: "We are in constant dialogue. I recently met with Prime Minister Oleksy in Moscow. This was a very constructive and friendly talk. I hope this will be continued in the talk today with the Polish foreign minister," he said.

Kozyrev also said that the issue of "Radio Free Caucausus" will not be the subject of his talk with Bartoszewski. Here, he cited the statement by President Lech Walesa, who has said that the start-up of such a radio station in Poland is impossible.

Repotage on Ursus Strike

Oleksy Fearful About Unrest

LD1905142695 Warsaw PAP in Polish 1255 GMT 19 May 95

[FBIS Translated Text] Plock, 19 May—Prime Minister Jozef Oleksy expressed the fear today that the rising tide of unrest and pay claims may become an element of political game-playing and damage the general atmosphere in the country.

During a gala session of the Local Government Assembly [Sejmik Samorzadowy] in Plock, after a report about the blocking of the rail track to Warsaw by "Ursus" employees, the prime minister said: "I call for a victory of common sense, caution, and responsibility in order to achieve a calm and negotiated resolution of the problems that have accumulated."

"The government will not evade any actions that are correct, justified, and economically logical," the prime minister said.

Extraordinary Government Session

LD1905190395 Warsaw Polskie Radio First Program Network in Polish 1800 GMT 19 May 95

[FBIS Translated Text] An extraordinary session of the government is in progress in Warsaw to discuss the strike situation in Ursus. Before the meeting, Deputy Prime Minister Aleksander Luczek ruled out the possibility of entering into any kind of talks with the Ursus work force until they stop the strike action. He said that because the dispute is between the employers and employees, talks should be held within the framework of the Trilateral Commission and not between the strike committee and the government.

The second part of the Council of Ministers' meeting is scheduled for tomorrow.

Oleksy: Calm Atmosphere Needed

LD2005100695 Warsaw PAP in Polish 0958 GMT 20 May 95

[FBIS Translated Text] Warsaw, 20 May—Prime Minister Jozef Oleksy, after today's working meeting of ministers devoted to the situtation in the country and the events in Ursus, said that it is impossible to find optimum solutions in an atmosphere of tension and aggression. He pointed out that a reform program for Ursus has been drawn up, which has a a chance of implementation.

The strike arose during the preparations for introducing that program, Oleksy said. He stressed that the government will not evade actions aimed at enabling Ursus to be helped to resolve the problems. However, this must be done in "an atmosphere of calm, of dialogue, and of businesslike concern for matters that are the most important for people," the prime minister said.

Solidarity Leader Critical

LD2005135795 Warsaw Polskie Radio First Program Network in Polish 1300 GMT 20 May 95

[FBIS Translated Text] Maciej Jankowski, chairman of Solidarity's Mazowsze Region, believes that political considerations dictated by ambition and not economic considerations are deciding the fate of the Ursus tractor factory. At a news conference, the head of Mazowsze Solidarity said that there is a solution to the Ursus issue which is in accordance with the law, and it is only a question of the signature of Deputy Prime Minister Grzegorz Kolodko.

[Begin Jankowski recording] A totally false news report has been broadcast on the TV News. There is no proposal from me to suspend the strike. Besides, that would be fairly senseless at this stage. On the other

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hand, a strike always has to be ended sometime, somehow. At the moment, in practice, the fate of Ursus is not being decided by economic considerations, but by political considerations, dictated by ambition. The government is talking rubbish. This is a provocation. One cannot make public statements and, so to speak, make reproaches about throwing bottles and stones. Firecrackers are not bottles or stones. If you reproach somebody for doing something they have not done, they may do it.

The government must not take offense at the nation or a part of that nation, even a small part. The fate of 14,000 people and a factory must not be the subject of hysteria. Whoever is appointed to run the country has no right to take offense because that only aggravates the conflict.

Ursus is a factory that can expand very quickly and very well. This dispute cannot only be resolved; we know how to resolve it. What the work force says—that it cannot stop the strike, that the protest must go on until the finance minister's signature is there—that is right because the financial matters are decisive. This is not the first factory where the Treasury Office is blocking the factory's possibilities of operating. [end recording]

Ministry: No Threat to Colombian Diplomatic Ties

LD2205123695 Warsaw PAP in Polish 1119 GMT 22 May 95

[FBIS Translated Excerpt] Warsaw, 22 May (PAP)—There is no threat of a break in diplomatic relations between Poland and Colombia, the Polish Ministry of Foreign Affairs announced today in response to an earlier PAP report in which PAP said that, according to sources in Bogota, relations between the two countries could be severed unless the Colombian Government either released or extradited Andrzej Kolonski, a Polish citizen arrested on 4 May on charges of importing material that could be used for making drugs. [passage omitted]

Politicians Comment on Kolodko Statements on Policy

WS2205114895 Warsaw RZECZPOSPOLITA in Polish 20-21 May 95 p 2

[Article by J.B.L.: "After Deputy Prime Minister Kolodko's Statement on Resignation; There Are No Differences in Coalition"]

[FBIS Translated Text] Deputy Prime Minister Kolodko said after the meeting at Prime Minister Oleksy's office on 18 May that the government's policy must be more oriented toward combating inflation. He was critical of the draft law on social insurance and on the policy concerning the prices of agricultural products.

"On 17 May I heard that Grzegorz Kolodko would resign from office because of the social insurance draft law; on 18 May he mentioned another reason: the fact that the government's policy was not sufficiently oriented toward combating inflation. I believe that Deputy Prime Minister Kolodko is simply built that way. However, one should try to resolve problems rather than keep talking about one's resignation," Agriculture Minister Roman Jagielinski of the Polish Peasant Party commented on this statement. According to him, there are no great differences in the government; he said that his cooperation with Grzegorz Kolodko was good. He was surprised at the deputy prime minister's violent statement.

He believes that not only the food price increase has fueled inflation this year. According to him, this increase is not the most significant factor. A very important factor was also insufficient wage control, which has gotten out of Kolodko's hand. Jagielinski believes that the idea of importing dairy products, put forward by Deputy Prime Minister Kolodko, is bad because after the spring stagnation, production is already increasing and by the time the duty-free contingent arrived in Poland, shops would already be selling more domestically-produced dairy products.

According to the Polish Press Agency, Labor Minister Leszek Miller confirmed on 19 May in Katowice that he has a document signed by himself and by Deputy Prime Minister Kolodko, which states that differences between the Ministries of Finance and Labor on evaluation of the costs of the insurance reform are small and insignificant. He also said that he did not share the deputy prime minister's opinion that implementation of this reform would threaten to fuel inflation.

Deputy Prime Minister Grzegorz Kolodko would not comment on his statements yesterday. His aides draw attention to the fact that the aforementioned document concerned cost differences totaling 700 billion old zlotys; however, the sum concerns only the change in the principles of pension valorization from wage- to price-based, and not the costs of the entire reform.

Maneuvering for Parliamentary, Government Posts

95EP0076A Warsaw POLITYKA in Polish 25 Mar 95 No 12, p 3

[Article by Janina Paradowska: "The Sejm After the Storm: In Smoke-Filled Lobbies"]

[FBIS Translated Text] *"I am going to remind myself what this building is really supposed to be about," said a politician as he was rushing to the hall of plenary sessions of the Sejm.*

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Indeed, in recent weeks it has appeared that the edifice at Wiejska Street consists of nothing but lobbies in which they gossip and speculate with a passion and offices guarded by the Speaker's Guard in which political decisions are made. The rest of the activities have appeared to be of little significance because the conviction has prevailed that those were, anyway, the last weeks or perhaps months of the present parliament which, even if it were to escape the designs of the president, would dissolve itself. The speed and ease with which most deputies got used to the notion of self-dissolution, when actually there were no reasons for such a step, was surprising.

The Sejm has been coming around after the storm which ended with the forming of the government. It has even been doing so rapidly, given that at the very first relatively calm meeting it came out twice against the president, stripping him, among other things, of the right to appoint the chairman of the National Council for Radio and Television Broadcasting. On this occasion, the Sejm, mainly at the hand of the coalition, is doing everything in its power for the council to become a strictly political body and then, putting it as mildly as possible, not exactly a top-flight one. New candidates from the Sejm and the Senate, Mr. Grabos (his work at TYGODNIK CHELMSKI being his reference) and Mr. Strak, do not have much of a chance to enhance the council's shattered prestige. Besides, until the very last minute there was speculation about Michal Strak ultimately ending up in Hortex [Foreign Trade Association] where a vacant position was available at the time, following unsuccessful tries at a few positions in the new government. The principal himself opted for electronic media over vegetables. Undoubtedly, this is a more certain position because it is a state position. In economic management, one does not know whether he is coming or going. Besides, you must acquit yourself from time to time.

Positions are undoubtedly the most interesting current topic of conversations in the lobbies since the lobby life has not entirely ground to a halt yet. Certainly out of habit, there is the most talk about positions within the PSL [Polish Peasant Party]. The positions are assigned by the former Prime Minister Pawlak in the privacy of his new office in the Sejm. He assigns [illegible]m, certainly likewise out of habit, to his own people. Janusz Piechocinski will definitely not go to the Main Customs Office because Andrzej Wieczorkiewicz who is committed to the PSL chairman has been picked for this position. Leslaw Podkanski and Andrzej Smietanko, the recent ministers, were supposed to take leadership positions in the parliamentary factions. It has not worked out so far. The opposition has won by the familiar method of withholding the quorum. The former prime minister stormed out, slamming the door in a hardly elegant manner. The next day he was publicly disgraced in the hall of plenary sessions when it turned out that he could not make changes in the Commission for Agriculture as he pleased. The changes were blocked by PSL members themselves.

Without a doubt, the former Minister Smietanko is entitled to one position or another. In recent days he routinely placed Mr. Groszek, his chief of staff, in the position of the chief of state reserves. However, personally he did not succeed in placing himself at the head of the Rural Development Foundation in which Artur Balazs remains holding office to this day. We cannot say he failed for lack of trying. He tried to do it—and then personally—at one of the latest meetings of the Council of Ministers, thus introducing the uncommonly sincere custom of people recommending themselves for positions. However, Deputy Prime Minister Grzegorz Kolodko looked upon this technique with disfavor.

The Sejm is no longer afraid of the president. Instead, it is beginning to be somewhat afraid of Waldemar Pawlak. It is commonly believed that the former prime minister has not resigned himself to the loss of his position and will do everything in order to make things difficult for the coalition and subsequently withdraw from it, perhaps even very soon. This would most certainly mean new parliamentary elections. They say that computer simulations of the former prime minister and his advisers indicate that the Freedom Union and the Alliance of the Democratic Left will fall apart before the early election in view of which the PSL will remain the only real party dealing the cards. However, the problem is that not all of the PSL members believe so, being mindful of the earlier computerized, and not just computerized predictions of the advisers.

Therefore, while the Sejm does not consist exclusively of lobbies anymore, the temperature in the lobbies is still high.

Difficulties in Trade With Russia, East

95EP0081B Warsaw GAZETA BANKOWA in Polish 19 Mar 95 No 12, pp 16-17

[Article by Iwona Ryniewicz: "Titanium Shovels. For Many Companies, Trade With Post-Soviet Countries Smacks of Wandering in the Jungle Without a Guide"]

[FBIS Translated Text] Last year saw a recovery in trade with the countries of the former USSR, mainly with Russia. The volume of trade with Russia went up by one-fourth.

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Polish exports to markets in this area are dominated by foodstuffs (46 percent), which are highly upgraded in many instances. Energy resources prevail on the import side (70 percent), along with metals. Private companies are responsible for as much as 72 percent of Polish exports. For obvious reasons, their contribution to imports is considerably smaller and comes to 18 percent.

There is only one possible answer to the question about how to trade with the East: Normally, by offering good merchandise at competitive prices, gaining the confidence of local partners, and staying away from uncivilized practices such as shipping money by truck or in suitcases. Of course, it is not easy to apply this prescription in practice.

The Hardest Thing Is To Establish Initial Contacts, Overcome Anti-Polish Phobias, and Find a Credible Bank

The voracious and vast market of CIS countries cannot be penetrated by a single company or even group of companies. Therefore, it is necessary to be geared toward selected, identifiable segments of the market which, once well reconnoitered, may become a fruitful area for excellent business. Markets, in the sense of geographical areas in which certain products can be distributed, begin with oblasts and end with autonomous republics, or even states with a small territory.

It is not easy to do prospecting, despite the existence of many institutions which, for example, have databases. There is no risk assessment establishment which would responsibly evaluate the financial standing of our potential partners: The unstable economic situation both in Russia and other CIS states calls into question all evaluations and diagnoses.

In the course of a search, one has to rely on his own intuition, old contacts, and at times even chance. Contacts established on one occasion need to be developed by gaining mutual confidence which will indeed bear fruit, but after a while. Polish entrepreneurs who do great business in the East maintain that they have never been cheated by a partner on the other side. Even if payments were postponed, it was due to objective reasons rather than ill will.

This approach calls for treating one's partner with respect: Therefore, it is not proper to sell exploding sparkling drinks or dairy products gone sour on the assumption that over there anything will sell.

The Most Effective Technique for Striking Roots in Post-Soviet Markets Is To Establish Representative Offices, Branches, and Companies Employing Local Personnel

The advantages of this arrangement are many: Local employees have a better knowledge of the place and the customs; they also have their own contacts. Having one's own company in Russia costs one-half of what it does in Poland (per employee). Nor is it necessary to rent an apartment which is particularly costly in Moscow. However, we must admit that hiring appropriate local personnel is the most difficult task for a Polish merchant. Just as it is difficult to trade with Germans without a German agent, it is hard to move about in the CIS without a local guide.

The stage of reconnaissance and finding an appropriate partner virtually puts an end to difficulties for manufacturing companies which only want to export their surplus merchandise. For trading companies there is also the issue of what to import from the CIS. Generally, they should steer clear of caviar, champagne, or nonferrous metals because these are goods which are completely controlled by the mafia. Organized crime groups control entire industries and territories, grant permits for economic operations to local companies, and collect on their accounts receivable. Each enterprise has its own "protection," and each criminal organization has its own "foot soldiers" who look after its business.

Selling for Cash and Without an Invoice, Drawing Up Understated Invoices, Settling "Under the Table," Selling on Street Corners, and Carrying Money in Suitcases Means Asking for the Mafia

The mafia can be avoided, although it can also be outdistanced, for example, by employing a local police or KGB officer in your company. This does not cost a lot (they say that a monthly wage of $250 would suffice) and works excellently.

Importers should also be mindful of the fact that many CIS countries, mainly Russia, have an extremely restrictive system of export licensing and duties. Restrictions apply to an ever-growing number of goods, but primarily to so-called strategic raw materials. The safest way out is to find a finished product in which the state takes no interest.

If You Import Anything, Import Only Finished Products—At Least Those Minimally Upgraded

Resourceful Polish entrepreneurs manufacture locally copper nails which do not meet any standard and which, unlike copper pigs, can be exported from Russia without restrictions. Subsequently these nails are sold as scrap in Germany (because they do not meet standards). In turn, gardening shovels made of titanium were allowed

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through without a second thought, despite the fact that titanium appears on the list of strategic raw materials. (These shovels have spawned a lot of legends, although such a case has actually occurred).

In the course of trading with Russia, one should remember that the ruble is an internally convertible currency, and that banks operate better and better. The Interbank Currency Exchange in Moscow functions very well, nor is buying hard currency in the Baltic states a problem. The situation is definitely worse in Kazakhstan, Belarus, and Ukraine.

There Is No Need To Be Afraid of Rubles: Converting Them to Dollars Is Easy in Russia, and a Remittance Takes One Week To Get Through

To sum it up, things are not all that bad, as evidenced by the success of an increasing number of Polish companies in post-Soviet markets. The difficulties are the price which one pays for having less competition. Western businessmen are still afraid of the former USSR more than Polish businessmen.

Polish Banking Activity in Russia Viewed

95EP0081C Warsaw GAZETA BANKOWA in Polish 19 Mar 95 No 12, pp 16-17

[Article by (R): "Making Up Lost Time: Politicians Made a Decision, but Bankers Were Not Ready"]

[FBIS Translated Text] *When settlements in freely convertible currencies were introduced in trade between Poland and Russia effective 1 January 1991 nobody paid attention to the fact that the banking systems of both countries were absolutely unprepared for that. Actually, this might have been for the best: Had this been expected the development of adaptive arrangements would have certainly taken more time.*

One bank responsible for servicing foreign trade transactions used to exist on each side. In Poland, it was the Bank of Commerce. The breakdown of trade relations and difficulties with the collection of payments from partners from across the Bug necessitated the use of barter transactions; the Russian side, which was in need of hard currency, was strongly opposed to this at the beginning. However, a few years had to pass for barter to become insignificant in mutual trade. Last year, it accounted for about 5 percent of exports and 2 percent of imports from 12 CIS countries and three Baltic states.

Keeping the Lead

Banks interested in supporting trade with the East have used the time which has passed since the introduction of settlements in convertible currencies differently. The Bank of Commerce, which has been consistently building a chain of correspondents, has risen up to the occasion. By now it has 90 correspondents. The bank maintains about 60 U.S. dollar and German mark-denominated accounts for banks from the East and also has its own accounts over there. At the request of its clients, the Bank of Commerce evaluates the financial standing of selected banks, however, with the proviso that in the process it uses only public-domain rankings and cannot be held responsible for data contained therein. The bank charges a fee for this service.

Within a couple of months the Bank of Commerce will provide quotas for selected Russian banks in order to be able to confirm export letters of credit. At a later time (within as long as two years) the Bank of Commerce plans to open short-term (90-day) credit lines for selected Russian banks. Both these initiatives will certainly contribute to streamlining payment transactions in trade with Russia.

The new foreign exchange law in effect since 1 January of this year offers new opportunities to Polish companies involved in the East. Namely, the law says that Polish banks can operate unrestricted zloty-denominated accounts for foreign persons. Belarusian, Ukrainian, and Russian banks have already approached the Bank of Commerce alone in this matter. Polish banks may also operate blocked accounts in foreign exchange for domestic entities.

Various Strategies

As far as other banks are concerned, their involvement is focused outside of Russia. In July 1992, the Deposit and Credit Bank from Lublin opened a representative office in Belarus; it was the first entry on the register of foreign banks in that country. The Pekao SA bank already has a representative office in St. Petersburg; another one will be open soon, this time in Vilnius.

Since November of last year, the East European Bank has had a direct cooperation agreement with the Rosvneshtorgbank state bank, the largest bank supporting currency operations in Russia. The position of the East European Bank on the local market is bolstered by the fact that the aforementioned bank is its part owner.

The Credit Bank and the Bank of Industry and Commerce Inc. use a somewhat different strategy in the Eastern market. The latter bank opens branches along the Eastern border, but in Poland (there already are five of them). The Credit Bank Inc. which should soon be granted permission to open a representative office in Kaliningrad has purchased a block of several percent of the shares of a Belarusian bank (Priorbank) whereas the latter, on the principle of reciprocity, also purchased the stock of the Credit Bank Inc.

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Rudimentary Infrastructure

A lack of appropriate Polish banking infrastructure in Russia, and vice versa, is a significant problem in mutual commercial relations which was even raised during a visit of the Russian prime minister to Poland in February of this year. Unlike our country, the Russians in principle allow the establishment of foreign bank branches in their country. However, only few banks have secured consent to do so. A relevant application of the Bank of Commerce still awaits consent from the Russian Central Bank, supposedly because of a lack of support from the National Bank of Poland.

Russia has stipulated that the share of foreign capital in its banking system can come to 12 percent. Some 7 to 8 percent has already been used, and not much is still available. A draft banning the issuance of further permits is pending in the Duma. For its part, the National Bank of Poland has a preference for foreign banks which announce that they wish to contribute capital to collapsing Polish banks. This is out of the question in the case of banks from across the Bug. However, since the fall of last year representative offices of four banks from the CIS countries have been operating in Poland. Of course, they do not engage in current operations.

Lumena Trade Co.: Russian Trade Case Study

95EP0081D Warsaw GAZETA BANKOWA in Polish 19 Mar 95 No 12, p 17

[Article by (I): "Where There's a Will, There's a Way; $7.5 Million in Eastern Markets"]

[FBIS Translated Text] *Tadeusz Browarek, chairman of the board of the Lumena company, has his own prescription for success in Eastern markets: to establish proprietary companies locally and put local employees to work in them.*

It is no problem to establish a joint company or a representative office; however, finding appropriate personnel is a problem. Chairman Browarek said: "Such personnel can be 'bought,' although 'rearing' them is a better solution."

After many years of operations in Russia and other post-Soviet republics, Lumena Trade exports and imports to the East furniture, stationery, construction materials, aircraft parts, foodstuffs and agricultural products.

Last year, the Lumena company from Warsaw had sales of $7.5 million in Eastern markets which accounted for 60 percent of the company's sales. The company had secured such a performance through six years of presence in Eastern markets, without confining itself just to Russia.

Lumena Ltd. is a company which specializes in the sector of computer equipment, monitoring and measuring instruments, and professional electronics. The company has operated since 1 January 1988. As early as October of that year, it registered the first joint venture in the then-USSR with the participation of Polish capital. Lumena's joint venture was entered in the register of joint ventures as Number 89. Lumena has struck root in the market over there to such a degree that it has become the parent company for three companies in Russia, and has recently purchased an 80-percent interest in a Belarusian enterprise.

In the years of its presence in Eastern markets the company has built a distribution chain which makes it possible to sell not only the computer equipment of world-renowned companies but also products manufactured in Poland. The company's good standing in the market of information services over there was undoubtedly crowned with winning a tender for the delivery of computer equipment to the otherwise well-known Gazprom State Enterprise to the tune of $5 million.

Of course, Lumena is not the only Polish company to have been successful across the Eastern border. However, Chairman Browarek is convinced that there are certain iron-clad rules in that market which should be respected. Perhaps, there is no need to prove just how important the knowledge of the language is. What else? Doing business legally and using noncash transactions virtually eliminates the danger of running into the mafia. In turn, the instinct of self-preservation developed during the hard times in Poland makes it possible to defend oneself against con artists. Exports of manufactured products are the remedy for export quotas and duties. All that is needed is to find manufactured products which it will later be possible to sell.

Copper Company's 'Scheming' Examined

95EP0073A Warsaw POLITYKA in Polish 18 Mar 95 No 11, pp 1, 14-15

[Article by Jacek Mojkowski: "A Scheming Company: Who Is Pulling the Strings of Polish Copper?"]

[FBIS Translated Text] Trade unionists are asking whether financial trickery and fraud have to be the price of reform at Polska Miedz [Polish Copper]. And the board of directors answers, "They want to remove us because we are not letting them lord over the firm." Copies of declarations and protests already are being faxed. Yet another battle for influence over Polska Miedz is beginning. The State Concern in Lubin is the sole Polish company of any real significance outside Poland. The Polska Miedz KGHM [Copper Mining

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and Processing Concern], S.A., is the world's fifth-largest copper producer, accounting for 10 percent of the world's output of copper. Its sales volume are in billions [of new zlotys] and its coffers are huge. There are 35,000 voters among its workforce. The concern is too delectable a morsel to be left alone, and so various parties are trying to nibble at it.

The parliament members Ryszard Zbrzyzny (SLD [Democratic Left Alliance] member and chairman of the Trade Union of the Copper Industry), Lubomir Gliniecki (SLD), Janusz Grot (UP, Union of Labor), and Senator Eugeniusz Patyk (SLD) dispatched the following letter to the Minister of Privatization Wieslaw Kaczmarek:

"...Mr. Minister, we expect of you an immediate recall of the board of directors, by means of disciplinary proceedings, without the right to billions of zlotys in severance pay." The letter refers to "the flow of huge sums from a state company to private pockets."

The threat of mass protests has by now arisen. The concern is under constant monitoring: NIK [Supreme Chamber of Audit] inspectors have been continually present there for the last three years, and a public prosecutor has already started an investigation. As this issue of POLITYKA goes to press, the concern's supervising council is meeting in order to clear up the accusations. In the opinion of the trade unionists, that council should condemn and fire the board of directors. Deputy Zbrzyzny has a list of the culprits: "Sedzikowski, Mrs. Muszkat, and Plucinski must go."

But what if the supervising council does not find sufficient grounds for dismissing them?

"Then Minister Kaczmarek should realize that he himself will come under fire," said Zbrzyzny.

If there is one pattern observable at the concern it is that every one cherishes his own conspiracy theory. To understand what it all is about we have to go back to the beginning of 1991 when the concern decided to become autonomous and in particular to take over the trade in copper.

Ever since the 1980s at every session of the worker council it used to be said again and again that the concern should cut its ties with Impexmetal [State Agency for Metal Imports and Exports] and sell copper on its own. That was easy to say but difficult to do. Trading in copper abroad meant becoming listed on the London stock exchange, establishing contacts, knowing foreign languages, etc. The concern had no such capabilities, while Impexmetal, like all the other foreign trade agencies in those times besides, had them all. Impexmetal treated domestic producers like "Moors" who had to provide the goods for the exports while it skimmed the cream of the trade, in the form of profit margins, for itself. Thus, it used now and then to chauffeur plant directors through London and provide them with gifts of whiskey at the airport and then fly them back, but as for its expertise in trade, it guarded it jealously so that, God forbid, no competitor would emerge.

"Snatching trade away" from Impexmetal became the fixed idea of the first board of directors, which was established in 1991 at Polska Miedz, after it was transformed into a one-person Treasury company. As known, too, there was no love lost between the then Board Chairman Jan Sadecki and the Director of Impexmetal Edward Wojtulewicz, which augured well for the chairman determination to "snatch" what he could.

When a company lacks its own trading network, "snatching it away" from the competition is accomplished through bribery. At the time Impexmetal employed two eminent experts on copper, of whom one, Adam Dujczynski, then director of FLT, an Impexmetal subsidiary specializing in sales of copper, happened precisely in mid-1991 to be considering his resignation, because, he claimed, he wanted to establish his own business ("I'm a certified consultant").

So Polska Miedz asked him to collaborate with it, and he stated his terms. The negotiations were kept secret, especially from Impexmetal, because the stakes were huge: Taking copper sales away from Impexmetal meant losses on the scale of $600-650 million in sales annually for that agency. It also meant a loss of prestige, because in the West, before 1990, Polish copper was associated with Impexmetal and not with the KGHM.

The stakes were huge and the concern desired to win them. Ultimately an agreement was reached with Dujczynski and signed, and in the summer of 1991 KGHM began to create its own organization for trading in copper, with a branch in London.

Nowadays Deputy Ryszard Zbrzyzny is asking, "Why was Dujczynski allowed to build an empire of his own? How was he able to pull the strings of all the successive boards of directors of Polska Miedz?"

People who remember those times say that, on the one hand, the management of the concern had been under pressure to escape the domination of Impexmetal and, on the other, there was the fear of failure in view of the lack of experience and of the right people. That is why they wanted Dujczynski at any price.

But the trade unionists are asking, "But why 'any price' has to be any?"

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The opinions about Adam Dujczynski differ. To Impexmetal he is a "traitor" who went over to the competition and exploited the knowledge he had gained during the years of his work for that agency. His enemies call him a cynical sly fox who "can milk a pigeon in midflight." But they all agree that he is an outstanding professional and perhaps Poland's foremost expert on trade in copper on the London exchange. He has been working in this field for 20-odd years, and in the early 1990's he became an institution, given his expertise and, most important, personal contacts. He was under no compulsion to work for the concern, while the concern needed him badly.

But the terms on which Dujczynski joined the team at Polska Miedz stir emotions. According to Ryszard Zbrzyzny, "Giving Dujczynski the reins over the entire trade in copper was either stupid or a deliberate move by someone."

In saying this Zbrzyzny is chiefly referring to the current board of directors, but the board of directors kicks the ball back into his court: "If the contract with Dujczynski contains some mistakes, these were made in the past, under other circumstances, and by other people."

How Does It Work?

The organization of trade as handled by Dujczynski was conceived at the time when the concern's CEO was Jan Sadecki (previously the general director, who automatically became the CEO once the concern was transformed into a Treasury company). Nowadays he works out of the KGHM's offices in Praga.

One member of the supervising council in those times recalls, "At the time most members of the board of directors used to be people whose careers and mentality had evolved in the 1980's. Thus unwittingly they recreated old structures familiar to them from the times past."

And in the past trade in copper had flowed along the line: Polish KGHM-Impexmetal-FLT. (KGHM extracted and processed copper, which then Impexmetal sold through the mediation of its subsidiary, FLT, which was headed by Dujczynski.)

The new flow of trade, following Dujczynski's recruitment, was as follows: KGHM to Metraco, S.A., in Lubin, and thence to Polmet, Ltd., the latter headed by Dujczynski (in London). Metraco replaced Impexmetal, and Polmet replaced FLT.

—The KGHM owned 90 percent of stock in Metraco, S.A., with Universal owning 5 percent, and Kopex 5 percent.

—At AB Polmet, Ltd., Metraco owned 80 percent of stock, Adam Dujczynski owned 15 percent, and Jacobs und Kauss, a German company trading in scrap and nonferrous metals, owned 5 percent.

How did it operate? Polska Miedz, through the mediation of Metraco, pledged itself to supply Polmet for five years with 120,000 metric tons of copper annually, which Polmet then sold in London. Actual exports exceeded that minimum level. Polmet earned a commission of 1 percent on sales.

Nowadays Zbrzyzny is saying, "This arrangement lined the pockets of a private individual."

And at first glance this is indeed difficult to deny. A state-owned firm was selling copper through the mediation of a small [private] company. What is more, it has pledged itself to provide that small company with regular shipments of copper, which that old fox Dujczynski had hardly any problems in selling. That small company, in which Dujczynski was a shareholder, received a "rake-off" in the form of a sales commission. It was a sure-fire way of coining money.

"That agreement was the price paid for owning Dujczynski," is how the current board of directors characterize the past.

But this matter is like an onion: Once you peel off one skin, the next appears, and so on, and so on. To every accusation there is an answer. The answers may be accepted or not, but they cannot be ignored.

First, the sale of copper through Polmet has yielded to the concern considerable savings compared with the times when it was handled by Impexmetal. Owing to the lower commission paid to Polmet and a speedier settlement of transactions—in the opinion of the board of directors—the KGHM was able to save 2.4 trillion zlotys in the years 1993-95 [as published].

Early in 1993 it was decided to simplify even more the structure of trade in copper by eliminating the mediation of Metraco (which commenced to sell other products of Polska Miedz), with that entire trade being taken over by Polmet.

Who Are the Shareholders?

Zbrzyzny asked, "Why was Metraco 'shut out'? That served to give Dujczynski the monopoly on trade in copper. Now it was he who decided on the life or death of Polska Miedz. The more so considering that for nearly a year, from November 1992 until September 1993, Dujczynski was a member of the concern's board of directors, and in that capacity he supervised the trade in London, meaning that he supervised himself."

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As for "shutting out" Metraco, to this day there exists within Polska Miedz a group of deeply disappointed individuals ("Metraco orphans") who had been counting on profits from the copper trade.

And as for Dujczynski's presence on the board of directors, that was not a sound arrangement for the head of one company to sit on the board of another. The justification found in the documents from that time was that the policy on copper trade, on an integrated treatment of the domestic market and exports, had to be centralized within the concern, and therefore the man who was to supervise that policy had to participate in formulating it.

Early in 1994, however, Dujczynski was excluded from membership in the board of directors and appointed the KGHM's chief representative for trade and marketing, an office he exercises to this day while continuing to be the CEO of Polmet.

Emotions also were stirred by the identities of Polmet shareholders. At the outset Dujczynski owned 15 percent and Jacobs und Kauss, or, properly speaking, Reiner Arendt, 5 percent.

"Why were Germans let in on trade in Polish copper? After all, this meant providing them with access to trade secrets," the trade unionists wonder.

This question was answered by Dujczynski: "Please bear in mind that for many years foreign partners had been identifying Polish copper with Impexmetal, which in addition, after my departure, has tried to belittle me in all ways. Jacobs und Kauss, a big German company trading in metals, was needed by Polmet in order to enhance its credibility. As for Reiner Arend [as published], he was a non-executive director—that being the British equivalent of a Polish supervising-council member—and had no access to KGHM's operating and accounting records."

Ultimately, however, at the end of 1992 the supervising council required the board of directors to take over the shares owned by Arend and Dujczynski. The takeover took place in stages, continuing until mid-1994.

Lawyers explain this prolonged duration on the grounds that partners in a company cannot be forced to surrender their shares; this is something that has to be negotiated.

Zbrzyzny commented, "This is not accidental. Obviously, someone cared about letting Dujczynski get even richer."

"Certain mistakes of the past cannot be erased all at once; this requires setting in motion a definite procedure," explained Krzysztof Sedzikowski, who upon becoming Polska Miedz's CEO began to renegotiate the agreement with Polmet and the management contract with Dujczynski. But all the same Sedzikowski did succeed in wringing some concessions, such as the gradual reduction in the commission paid to Polmet and the revocation from the contract with Dujczynski of a controversial clause allowing him to work as a consultant for other companies in the copper industry.

Dujczynski's Earnings

Dujczynski's income has long since become the stuff of legend and the subject of analyses in trade union flyers and publications.

His income derives from three sources: the sale (for about 400,000 pounds sterling) of his 15-percent share in Polmet to Polska Miedz; his salary as director (120,000 pounds sterling annually plus 5 percent of gross profits), and his salary as Polska Miedz's chief representative for trade and marketing (35 million zlotys monthly).

Irrespective of the above, he lives in an apartment paid for by the company, receives once a year free flight tickets to Poland for himself and his family, is highly insured, and the premium paid into his retirement fund amounts to 15 percent of his gross annual income.

But to Zbrzyzny the most important issue is Dujczynski's share in Polmet. When that company was first established, Dujczynski bought a share in it for 15,000 pounds sterling. When he sold his share to Polska Miedz, he received more than 400,000 pounds sterling. That was due to the fact that the company was profitable and hence the value of Dujczynski's share was rising.

Zbrzyzny asked, "Why could not a branch office of Polska Miedz have been established in London instead of a company in which Dujczynski owned a share?"

A member of the first board of directors of KGHM explained: "Such a branch office would have lacked Polmet's contacts and influence on the London stock exchange, unlike Polmet with its paid-in capital and ability to borrow funds from stockbrokers and foreign banks. That is just why Polmet was guaranteed regular shipments of copper and a 1-percent commission on sales, so that it could augment its operating capital. That also was why, lastly, Polmet retained (added to its capital) all profits instead of distributing them in the form of dividends to shareholders."

The English chancellery [as published] to whose opinion the NIK referred claims that the agreement with Dujczynski was very favorable to him compared with the usual agreements of that kind in Great Britain. Dujczynski disagrees, "This was a standard agreement prepared

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according to the model agreements of the English Institute of Directors."

Dujczynski further said, this time clearly annoyed by his harassment, "I agree that my contract may upset people who earn 6 million zlotys monthly and are unfamiliar with the terms for the employment of executives in the West. But let us put this differently: How about comparing my income with the incomes of the managers of some companies listed on the Polish stock exchange, such as Skowronski, Skipietrow, or Zaraska who not only are paid salaries but own huge blocks of shares worth billions of zlotys?"

In the course of three years Dujczynski wrote 500 pages of memos and postaudit explanations. Now he intends to sue the [aforementioned] parliament members for libel.

A Naive Boy Scout Spirit

The conflict about the copper trade is just one aspect of the bigger battle for influence in and funds of Polska Miedz.

This concern is a typical state dinosaur of the era of "socrealism." Plunging it into the waters of the market economy involves infringing upon many interests and treading on the toes of many people. Anyone who decides to shove it into these waters must be aware that Lubin is, in view of the hugeness of Polska Miedz, a bargaining counter in Warsaw politics. In such a situation, Chairman Krzysztof Sedzikowski's appeal for separating Polska Miedz from politics sounds like the appeal of a naive boy scout.

For the time being, God be praised, the world price of copper is high enough to offset our production costs. However, Polish copper deposits lie deep under the ground surface and considerable effort and outlays are needed to mine them. In Chile, for example, the mines are fortunate in using the open-strip method. But we too are not losers, because our copper ore also has a high content of other metals that can be recovered.

There is only one problem: The recovery of the secondary metals requires investing hundreds of millions of dollars, and perhaps even a billion. Polska Miedz does not have that kind of money and will not get it anywhere. Its only way out is to cut costs on its own.

"That is not a good way of winning the support of the workforce and winning votes in the elections," said a Warsaw expert on industrial restructuring. "You could have a great idea for streamlining Polska Miedz but you would get no support for it should some trade union activist stand up at a work-force meeting and, without bothering to ask about the details of that idea, declare, 'If you please, sir, we here in Lubin really know much better what is good for our miners and metallurgists.'"

"Perhaps the KGHM's CEO should rather be some social psychiatrist or expert on the public mood rather than on the demand for copper," said sarcastically a member of the original Supervising Council, which had such a harrowing time during the strike in the summer of 1992 which lasted for more than a month.

The Roots of the Strike

The strike of two and one-half years ago is of crucial importance to understanding the current events at the KGHM. First, it led to the emergence of leaders. Ryszard Zbrzyzny, the then leader of the strike, became a SLD Sejm deputy. The strike spokesman, Edward Kienig became a PSL [Polish Peasant Party] senator.

Second, changes in the membership of the board of directors led to the predominance of individuals who seriously began to ask about the real cost of itemized expenditures. At the same time, people said that the socialist KGHM should be transformed into a [capitalist-style] concern. Thus, sooner or later, the technocrats on the board of directors were bound to collide with the people's tribunes.

The recent letter from the abovementioned members of parliament demanding the recall of Miedz's board of directors was not the first. As early as in December 1993 Zbrzyzny and Kienig accused the current board of incompetence and actions injurious to the firm. This concerned Polmet and the shares held by Dujczynski, and also the board's unwillingness to use the services of Bank Zachodni in Wroclaw, which were urged by Zbrzyzny himself on hinting that it was the desire of Prime Minister Pawlak himself. Krzysztof Sedzikowski accused Zbrzyzny of manipulation and Minister Wieslaw Kaczmarek even accused him of lying. This contest is continuing to this day: an eye for an eye and a tooth for a tooth.

This is exacerbated by personal animosities. Zbrzyzny and Kienig resent Kaczmarek for recalling them from membership in the KGHM's supervising council, on which they had sat as delegates of the workforce. But lawyers claim that the minister acted properly, since members of parliament are barred from management positions. Thus it was certainly no accident that, following the disintegration of the Pawlak government, both these trade union members of parliament focused their fire on Kaczmarek.

However, the current dispute over who has clean hands in the copper trade is but a sharper form of long-existing conflicts. This highly unionized concern

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(with 50 trade union officers) is a scene of practically continuous collective bargaining disputes. That is due to the ongoing competition among the trade unions active there, of which the largest, with a membership of 12,000, is Zbrzyzny's, followed by Solidarity with 8,000 members.

The strength of the trade union is insufficient to balance their representation on the board. The official owner of the KGHM is the state, in the person of the minister, who is essentially a political appointee. Some members of the concern's supervising council are appointed by the minister, thus politicizing it. The board can be recalled at any moment, and it shall certainly be swept out by the strike wave. This is proved by the rotations of the concern's managerial personnel, which resulted in four successive new boards within three years.

The Polishness of Polish Copper

The slogans of the recent strike, such as "the Polishness of Polska Miedz," remain suited for heating up the atmosphere. An infusion of capital might be useful, but nowadays it no longer makes sense to speak of the inclusion of strategic investors in the concern. The reaction of the workforce is allergic: "The foreigners will buy us out and sack us; this is a conspiracy of the Judeo-Commune." Therefore, anybody who wants to roil the waters in Lubin can readily refer to "alien filth."

In January 1994 Editor Jan Kurasz published in GAZETA LEGNICKA an article about secret negotiations for the sale of KGHM to foreign capital. As proof, he included a copy of a letter addressed to Chairman Sedzikowski by "Rattlesnake Canyon Bank Manhattan Chase Group," offering $650,000 for shares in Miedz. Three days later, a KGHM spokesman, Jerzy Pietraszek, declared, "The document is beyond any doubt a forgery sent to newspapers by the head of the Lubin office of SLD deputies."

That is local color. But the principal issue in the conflict is the concern itself. Creating the structure of a concern signifies decentralization of decisions as well as greater autonomy for certain enterprises which until then belonged to the concern. This means also again that some people's toes will be trod upon and some will feel outraged.

The coffers of the KGHM are huge, and this is attracting the attention of regional activists and politicians. They are proposing that the concern be "incorporated" in the structure of the harbor area, the airport, or perhaps taken over by the municipal raid transit authority. When questions about profitability and the business plan are asked at board meetings, hostile comments are made in the city. Formerly the concern used to be kind of omnipresent [locally, in the sense that it sponsored worker housing, vacation homes, etc.], while now it is slashing costs and belt-tightening, but that should be no business of deputies and senators who make promises to voters.

In a nutshell, everyone has an axe to grind so far as the concern is concerned:

—The trade unions, especially those linked to the SLD, want the current board to be fired so that a new one would be more subservient to them. They view its current chairman, Sedzikowski, as dyed-in-the-wool technocrat who does not treat them as partners (meaning that he does not spoil them the way the original board chairman, Jan Sadecki, who used to be a member of the PZPR [communist] nomenklatura, used to spoil them). It is said unofficially that Zbrzyzny is "Sadecki's child."

—Impexmetal would like to recover its lost dominion over the copper trade. There exists a suspicion that copies of certain records of deliberations of the KGHM's supervising councils somehow wander to the desk drawers of Impexmetal, where counterexpertises serving to prove the unprofitability of the copper trade conducted by the KGHM via Polmet are being drafted.

—The concern is a veritable financial empire. It operates its own bank and its own insurance company. It can grant guarantees and sureties to companies applying for bank credit.

—The concern is a vast battleground for those vying to become its suppliers. The scale of its procurements is so huge that the companies whose bids win or which are in favor with the concern can expect to have an assured future.

—The concern is a source of financial donations. In the years 1992-94 it donated Z13.5 billion to health care, Z1.1 billion to social assistance, Z30.6 billion to municipal departments, and Z0.7 billion to churches.

—The concern's potential can be measured in terms of the taxes it pays. In 1994 it paid Z6.2 trillion in taxes, of which nearly Z1 trillion to Legnica Voivodship. It is not surprising that the KGHM chairman (whoever he may be) is viewed in Legnica as "the first after the voivodship governor," and some even reverse this sequence.

Chart: Changes in the Flowchart of the Copper Trade:

—Until 1991: Copper Mining and Processing Concern (KGHM) at Lubin: 3-percent sales commission to Impexmetal Foreign Trade Agency, which owned no stake in the KGHM; transactions on the London stock exchange handled by FLT, Ltd.

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—1991-92: Polska Miedz KGHM at Lubin: 2-percent sales commission to Metraco, KGHM's Metals Trading Enterprise, with 90 percent of shares in Metraco owned by Polska Miedz KGHM at Lubin; 1-percent sales commission to Polmet, which owned 80 percent of shares in Metraco and handled transactions on the London stock exchange.

—From 1993 to the present: Polska Miedz KGHM, S.A., and its Office for Trade: Gradual reduction below 1 percent in the sales commission paid to Polmet in which Polska Miedz KGHM, S.A., is the 100-percent shareholder and which handles transactions on the London stock exchange.

[Box, p 15]

Polska Miedz KGHM, S.A.:

—Ranked 12th on the list of 500 biggest Polish companies in terms of sales in 1993 (as ranked by POLITYKA in 1994).

—Sales in 1994: 26 trillion old zlotys.

—Gross profits in 1994: 6.3 trillion old zlotys.

—Net profit: 3.5 trillion old zlotys.

—Copper output: 405,000 metric tons.

—Copper exports: 291,000 metric tons worth 15.1 trillion old zlotys.

Banks Inadequately Investing in Polish Industry

95EP0084B Poznan WPROST in Polish 19 Mar 95 No 12, pp 66-67

[Article by Piotr Andrzejewski and Barbara Brach: "The Bogey-Banks: The Polish Economy Is Menaced Not by a Bank Overlordship but by the Apathy of Banks, Which Prefer To Buy and Sell Treasury Bonds Instead of Investing in Industry"]

[FBIS Translated Text] The 20 to 30 individuals who head the big banks and several concerns are, in the opinion of German experts, masters of the foundations the German economy. The biggest companies, such as Daimler-Benz, Siemens, Bayer, and BASF, are under the control of commercial banks. The malicious claim that, just as the Politburo in the GDR used to determine the country's economic fate, so in the united Germany nothing can happen unless the banks say so. In our country fears that the banks might dominate the economy cause experts to smile indulgently. Polish banks can afford neither such mastery nor even any significant involvement.

"Our banks are too poor," claimed Jaroslaw Biernacki, director of the Department of the Banking System and Financial Institutions at the Ministry of Finance. "The capitalization of the Polish banking sector amounts to about 4 billion new zlotys (40 trillion old zlotys). Under the banking law, banks can set aside at most 25 percent of their funds for capital investments such as the acquisition of Treasury bonds, stocks and shares in enterprises, that is, not more than 1 billion new zlotys (10 trillion old zlotys). When that amount is compared with the capitalized value of the companies quoted on the stock exchange—6.7 billion new zlotys (67 trillion old zlotys), it can be seen that Polish banks simply cannot afford to be masters of the economy."

Polish banks have only recently begun to be active in investing. The opportunity for that arose along with privatization and the opening of the stock exchange. Director Biernacki admitted, "It had been expected that the so-called Debt Relief Law of 1993 would encourage banks to [invest in] industrial plants." Seven of the nine commercial banks into which the National Bank of Poland was broken up were additionally capitalized with 15-year government bonds for a total of 1.1 billion new zlotys (11 trillion old zlotys). That money augmented their paid-in capital.

Statistics of the Ministry of Finance indicate that the banks agreed to exchange their claims for stock in only 58 of the 750 enterprises eligible for debt relief.

In general, the banks agreed to do so only when they perceived no other way of recovering at least a part of their claims in the form of cash or securities. Observers of the Polish capital market believe that only 10 percent of bank investments in industrial plants are deliberate in the sense that the bankers expect to profit from them. The other 90 percent are forced investments; the banks decided to make them for reasons other than expectations of profit.

In the opinion of Andrzej Wilk, the chairman of the Confederation of Polish Employers, the commercial banks showing so-called financial superliquidity, that is, a cash surplus due to unwillingness to invest, or to lack of expertise in investing, are doing their best business by funding the deficit of the state budget in return for debentures and securities. Treasury bonds are the safest investment. They are guaranteed by the State Treasury, which cannot go bankrupt. On the average, a 26-to-27-percent interest rate is earned on them. Loans may be granted on charging as much as 30 percent or even 35-40 percent interest on condition that the borrower is solvent. The state budget pays a little less interest, but lending to it is much safer than investing in industry, and besides it pays any price for money by raising the interest rate on Treasury bonds. These bonds are subsequently redeemed and the extra funds

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thus gained, plus the interest earned on them, end up on the market, thus again threatening a budget imbalance. In self-defense, the government sells still more Treasury bonds, and the interest it offers on them is the higher the greater the peril to the budget. It is difficult to conceive of a better and safer way of profiting from this. It is thus readily seen why the "Big Seven" Polish banks [see table], whose paid-in capital was augmented with state funds, have a high solvency coefficient (20-30 percent), which points to a surplus of uninvested cash.

Cash Surplus. Solvency Indicators of the "Big Seven" Polish Banks Indicators Considered Optimal (8-12 percent)

	Percent
Bank of Industry and Commerce (BPH)	13.2
Gdansk Bank (BG)	35.9
Deposit and Credit Bank (BDK)	23.7
Universal Credit Bank (PBK)	21.5
Universal Economic Bank (PBG)	18.2
Pomeranian Credit Bank (PBK)	16.7
Western Bank (BZ)	18.9

According to experts, the optimal indicator should be 8-12 percent. The seven banks which under the law were to "clean out" their portfolio of bad loans by the end of March 1994, adopted diverse strategies. For Warsaw's niversal Credit Bank (PBK), not one of the 16 completed composition agreement proceedings resulted in the swapping of claims for stock or shares. Lodz's Universal Economic Bank (PBG) swapped its claims for stock or shares in 19 out of its 34 completed composition agreement proceedings, thus exchanging one-third of the liabilities owed it by companies.

The PBK attributes its unwillingness to acquire stock to tax considerations. By including such liabilities on its debit side, the bank can reduce its tax obligation—something it could not do if it were to swap them for stock. As for the PBG, according to GAZETA BANKOWA, it "circumvented" this problem by stating on its financial statement a lower cost of stock acquisition: it stated not the actual worth of the liabilities it swapped for stock but the nominal worth, not including the interest—which is usually much lower. The banks which swap some of their bad debts for stock and shares include the PKO BP, which has already concluded 16 agreements totaling 120 billion new zlotys [as published] (1.2 trillion old zlotys).

Stocks are a highly profitable but also a most risky investment. A bank must allow for two kinds of risk: First, the possibility that the company in which it acquires stock may go bankrupt. Second, that the effectiveness of the investment may be low and the dividend not as high as that from an equivalent investment in Treasury bonds. Moreover, investments in stocks are usually long-term investments which often require that the bank play an active role—by means of designated employees or by hiring or establishing a specialized company—as the administrator of enterprises which it takes over. In the opinion of Director Krzysztof Pawlak of the Privatization Ministry, most banks are not prepared to administer the companies which they had to take over.

To be sure, for some banks, such as the Polish Development Bank (PBR), Bank of Commerce (BH), or PeKaO, S.A., which have the experience, skilled personnel, and specialized investment departments, this can even be good business. In accepting the role of co-owner—and most often making an additional investment—these banks expect not only to receive a dividend once the company begins to be profitable but also to be paid a commission for preparing and carrying out the company's restructuring. Most often, they organize consortiums together with previously privatized capital-rich companies, or with other banks. In these consortiums they not only play the role of the provider of capital but also organize and guarantee foreign credit. Their partners are, e.g., the former state foreign trade agencies, such as Elektrim, Mostostal, and Stalexport, but also the agencies which have not yet become privatized, such as Minex and Impexmetal.

To a Polish company it is a godsend to become associated with a bank which knows what to do with the investment it acquires.

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For this means access to capital in a situation in which credit is expensive and difficult, as well as an opportunity for substantive support in working out a restructuring strategy and development plans.

The Polgraph company, which sold to Bank of Commerce 80 percent of its stock in return for 800,000 old zlotys (for a symbolic zloty), gained an increase of at least 160 billion zlotys in cash in its equity capital, along with access to at least 140 billion zlotys in foreign-exchange credit bearing the lowest interest rate offered by that bank. The Bytom Garment Works received from the same bank, in return for 30 percent of its stock, 22.5 billion zlotys along with credit bearing the lowest interest rate and a guarantee of employment. In addition, jointly with Amica Holding, Bank of Commerce has acquired for 18.4 million German marks [DM] 80 percent of stock in the Wronki Kitchen Factory, on pledging itself to invest DM10.5 million and maintain employment at that factory, where wages reach 125 percent of the national average. The Export Development Bank (BRE) purchased, jointly with Elektrim, 80 percent of stock in the Bydgoszcz Cable Factory for $16.8 million, on pledging itself to, among other things, invest an additional $45 million.

The takeover of stock or shares in enterprises by banks entails accepting responsibility for their fate.

There exists a real danger of "pumping" money into a candidate for bankruptcy. But President Krawczyk of the Polish Development Bank perceives another and more grave danger: The banks which allocate their capital for unwanted investments would thereby lack the capital for investments which they would like to make in their own well-conceived interest.

Portfolios of Certain Banks (in percent)

Bank	Stock or Shares
Bank of Credit and Commerce	Wolczanka, 18.3; Zywiec, 10
Bank of Commerce	Polgraph, 80; Bytom Garment Works, 30
Polish Development Bank	Polish Money Management Group, 100; Bank Morski, 68.3; AWIM Mediabank, 33.3; VW Poznan, 25; ELWO, 20; PRIM, 20; Energoaparatura, 15.2; Wojcieszow Lime Industry Works, 15; Borowskie Granite Quarries, 12.4; All-Poland Private Television, 12; Lodz Agency for Regional Development, 11.2; Pollena Aroma, 10; Szczecin Shipyard, 10; Hydrobudowa, 6-10; Industrial Group, 9; Budokor, 7; Lucchini Steelworks, 5.8; BPT Telebank, 4.3; Stalexport, 0.3; Wolczanka, 0.1
Bank of Industry and Commerce	Center for Promoting Economic Initiatives, 97.3; Ponar Zywiec, 50; Radio RMF, 40; Budpress, 36.2; Malaszewice Duty-Free Zone, 32.9; Bielsko-Biala Regional Development Agency, 25.5; Polish Economic Consortium, 25; Pafitex, 18.9; Podlasie Border Facilities and Warsaw Highway, 14.5; Jagiellonia Publishers, 10; Aktya, 7; Zywiec, 4.3; Upper Silesian Agency for the Promotion of Joint Ventures, 3.3; BPT Telebank, 3.2; Stalexport, 3.2; Wolczanka, 2.4; Elektrim, 2.4
Western Bank	Opolwap Opole Lime Works, 19
Bank of Commerce and Credit	Wolczanka, 13.1; Zywiec, 6.9
PKO BP	Wolczanka, 21.1
Silesian Bank	Tonsil, 5
Export Development Bank	[Bydgoszcz] Cable Factory, 5.6

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Results of Pawlak's Protectionist Policy

95EP0072A Krakow TYGODNIK POWSZECHNY in Polish 12 Mar 95 No 11, p 3

[Article by Janusz A. Majcherek: "The Export Locomotive: Protectionist Policy Is Harmful and Has No Future"]

[FBIS Translated Text] The statistics available by now warrant stating that last year Polish producers scored unprecedented successes on foreign markets. There is no doubt that it is precisely exports that are nowadays the principal prime mover of our economy, making possible a fast growth rate of the GDP. Unfortunately, in this domain we still have much to accomplish, because our share in world trade is still disproportionately low, even in comparison with the other postcommunist countries.

The volume of Polish exports in 1994 amounted to $17 billion, which means that, compared with the preceding year, they increased by more than 20 percent, markedly exceeding all plans and forecasts (the government ones envisaged 6 percent). In the second half of 1994 trade grew from one month to another, reaching in December the unprecedented level of $1.7 billion in exports and nearly $2 billion in imports. An additional plus is that the value of merchandise exports has been rising at a much faster rate than that of merchandise imports (by 13 percent); to be sure, the balance of trade remained ultimately minus (by about $950 million) and the trade deficit reached $4.3 billion, but that did not result in reducing our foreign exchange reserves—on the contrary, in 1994 they increased by $2.4 billion (as against the forecast minor increase). If allowance is made for the official $950 million deficit of balance of payments, this means that the volume of our unofficial exports (chiefly in so-called cross-border trade) can be roughly estimated at more than $3 billion. It even happened that the huge influx of foreign exchange has periodically become a problem to bankers and financiers; since foreign currencies cannot be used on the domestic market, they are swapped for zlotys, which the National Bank of Poland has to print to a sufficient extent in order to soak up that foreign exchange, and this is causing such a marked increase in the domestic money supply as to threaten an inflationary spiral.

The export boom has not even been weakened by the twofold reduction in the pace of devaluation of the zloty (from 1.6 to 1.5 and then to 1.4 percent monthly). The influx of foreign exchange and the rapid growth in its reserves (currently standing at $6 billion) has been, on the other hand, very advantageous given the outlook for rising payments of our foreign debt.

The problem of the foreign exchange surplus has resurfaced early this year, leading to certain economic perturbations and, as a result, to political ferment. Between 1 January and 20 February 1995 the NBP (National Bank of Poland) purchased $600 million for zlotys, which resulted in the appearance of 1.6 billion new zlotys (15 trillion old zlotys) on the market. This intensified inflation markedly, so that in January it reached the alarming level of 4 percent monthly. To counteract this trend the NBP again reduced the pace of devaluation (from 1.4 to 1.2 percent monthly) and raised the interest rates, which as known has triggered a sharp conflict between the NBP and the finance ministry.

Customers and Merchandise Range

The lion's share, nearly two-thirds, of our goods is exported to the markets of the European Union (which account for nearly 60 percent of our imports). In 1995 this share will rise to at least 70 percent, if only because trade with Austria, Sweden, and Finland, which have joined the EU, will now be included in this category. Even now the proportion of Polish trade with the EU is higher than for certain member countries of the Union itself! Unfortunately, despite its substantial scale, the balance of that trade is markedly negative and last year it accounted for a minus of more than $1.5 billion.

Among the various countries our biggest trade partner for several years now has been Germany: in 1994 it accounted for 35 percent of our exports and 28 percent of our imports. But the greatest surprise is that Russia took the second place—we exported to its markets in 1994 as much as 65 percent more than in 1993. If that is due to the government guarantees of exports to Russia, promised and finally introduced by the Polish government, then there is no reason to rejoice, because it may mean that Polish producers, who are facing the demand barrier on the domestic market, are getting rid of their products in the East, whether they get paid by the Russians or not, in the knowledge that they will be reimbursed by Polish government agencies from the state budget with the money of Polish taxpayers in the event of payment defaults by the Russians. But if, on the other hand, this sudden explosion of exports to the Russian Federation occurred before, and not in connection with, the introduction of export guarantees, then why the devil have they been introduced, thus freezing numerous trillions (of old zlotys) in the 1995 budget? A substantial part of goods exported to Russia is produced in Poland at plants controlled by foreign capital, which is hardly inclined to take irresponsible risks and apparently is motivated by more substantive premises than the guarantees of the Polish government. Perhaps then that expansion into eastern markets which

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has been so insistently urged by Prime Minister Pawlak and leftist ministers can be achieved most rapidly owing to Western capital investments in Polish industry—to which the PSL [Polish Peasant Party] is so opposed, rather than owing to the government subsidies in state industry being advocated by that party?

What do we sell abroad? According to the assurances of the Ministry of Foreign Economic Relations, 80 percent of our exports are processed products. But the degree of their processing can be variously defined. Thus while the share of raw materials of the sulfur, copper, or coal kind has been slightly declining in our exports, a substantial proportion of our exports still consists of semifinished products and products that underwent only preliminary processing, along with products of metal and wood industry, and agricultural and food products (their share rose in 1994 despite the drought and lower harvests in that year). The finished products are chiefly clothing, while machinery and products of the electrical engineering industry account for a few percent.

Who Fears Free Trade?

The prospects for Polish exports are extremely good, because recession is over in the countries of our biggest customers and their economies are expected to become still more robust this year, meaning that demand for consumer and capital goods on foreign markets will increase. Longterm and substantial advantages could also be gained by Poland's ratification of the so-called GATT Uruguay Round agreement and its joining the World Trade Organization (WTO) established on 1 January. They could but are not, because this matter, too, like many others, has been delayed for many months by Prime Minister Pawlak.

GATT is an English acronym meaning General Agreement on Tariffs and Trade, an organization established in 1947 (to which Poland belongs since 1967). In the course of seven so-called negotiating rounds, it has led to the signing of many worldwide agreements reducing duties and other trade barriers. The eighth, so-called Uruguay Round (commenced in 1986 at the Uruguay spa Punta del Este) resulted in reaching an agreement initialed nearly a year ago at Marrakech in Morocco by 125 countries; this agreement provides for universal reduction of customs duties and the establishment of the World Trade Organization to monitor adherence to rules of international competition in trade. According to calculations of the Polish ministry, joining the WTO and benefiting from the attendant foreign trade advantages would serve to augment our exports by $3 billion annually. Unfortunately, we can no longer become founding members of the WTO, because it was only at the last moment—several days before the end of 1994—that the government had transmitted to the Sejm the draft law ratifying the GATT agreement.

The reasons for the procrastination of Prime Minister Pawlak and his government become clear once we consider certain aspects of that agreement or, more precisely, of the 17 agreements composing that international accord. In addition to reducing duties and other customs barriers, they provide for, e.g., equalizing the conditions of competition by reducing government subsidies, especially those for agriculture, and assuring equal treatment of domestic and foreign investors. This means that, for example, restrictions on land purchases by foreign entrepreneurs will have to be abolished. One can imagine the impression such provisions produce on peasant politicians, although officially the PSL has expressed its support for the GATT. But that agreement can be only ratified in its entirety or not at all—any exceptions or renegotiations are precluded.

A rejection of the agreement is simply inconceivable, since refusing to join the WTO would make Poland completely marginal to the world economy and push it to the periphery of modern civilization. Realistically speaking, ratification will not be possible any earlier than this coming summer. The government plans to complete it by 1 July. As of the day that document is signed by the president, Poland will be obligated to reduce duties on industrial products by 40 percent and on farm products by 36 percent within five years. Failure to adhere to the terms of the agreement would prompt stringent sanctions in the form of the so-called cross-retaliation. Thus, should we fail to adjust our domestic laws to WTO rules and should we fail to open up as prescribed to foreign capital, goods, or services, the WTO member countries may apply retaliatory measures also in domains other than those violated by us.

Producers and Consumers Are Beneficiaries

Anyhow, we already are obligated to cut duties and border fees by other agreements. The tariff cuts implemented on 1 January 1995 have reduced to 8.16 percent from 10.78 the average duties on industrial products. But we still continue to be a strongly protectionist country: In the European Union the average tariff rate is 5.8 percent and, e.g., in the Czech Republic it is 4.9 percent (the GATT's Uruguay Round provides for a targeted reduction to 3.9 percent). Duties on farm products in Poland are as yet much higher, averaging nearly 20 percent. Recently, however, we have signed pledges under the CEFTA (Central European Free Trade Area: Hungary, the Czech Republic, Slovakia, and also Slovenia) to slash them 50 percent in a year and to abolish them completely by 1 January 1998. That also means, of course, a speedy opening of the markets of these coun-

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tries to Polish goods. The treaties with the European Union are even more favorable, because they provide for the asymmetricity principle: the EU will abolish barriers to our goods more rapidly than we to theirs. As of 1 January 1995 the EU has abolished duties on Polish industrial products (aside from steel, which will take a year more, and from textiles, in two years). We on our part must eliminate all customs barriers by 1999; only automobile imports will remain restricted until the year 2002.

The advantages of free trade are manifold. Eliminating the protectionist barriers and allowing free foreign competition mean lower prices for domestic consumers. Unfortunately, this year as yet this will not affect the market for agricultural and food products. That is because all the countervailing fees, border taxes, etc., applied to these commodity groups will be eliminated only seemingly, as duties will be correspondingly padded. But as soon as next year, duties themselves will begin to be reduced and competition from cheaper imports will prompt cuts in the prices of domestic products.

Restrictions on protectionism also mean reductions in the costs of government subsidies which we as taxpayers have to shoulder. But the clearest advantages ensue, obviously, from the opening of European and world markets to Polish goods. In view of the improvements in worldwide economic conditions, government plans envisaging a 7.5-percent increase in Polish exports may prove to be too cautious—on condition, however, that the governing coalition will abandon that protectionist policy to which they have been demonstrating such great attachment until now.

Table 1. Results of Polish Foreign Trade in Recent Years (in millions of $)

	1990	1991	1992	1993	1994
Exports	10.9	12.8	14.0	13.6	17
Imports	8.6	12.7	13.5	15.9	17.8

Table 2. Principal Trade Partners of Poland in 1994 (in percent of overall volume of trade)

Exports		Imports	
Germany	35.7	Germany	27.5
Netherlands	5.9	Italy	8.4
Russia	5.4	Russia	6.8
Italy	4.9	Great Britain	5.3
Great Britain	4.6	Netherlands	4.6

Table 3. Annual Per Capita Exports (in dollars, data for 1993)

Singapore	25,788
Hong Kong	22,846
Belgium and Luxembourg	11,893
Netherlands	9,220
Germany	4,540
Spain	1,606
Hungary	1,035

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Czech Republic and Slovakia	741
Bulgaria	455
POLAND	368
Russia	290
Romania	199
Ukraine	60

Source: Rocznik Statystyczny GUS 1994

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Spokesman Denies Again Iliescu's KGB Past

AU2005203195 Bucharest Radio Romania Network in Romanian 1700 GMT 20 May 95

[FBIS Translated Text] Romania's presidency faxed our editorial board a declaration signed by the presidential spokesman, which reads:

In connection with the campaign of denigration campaign against Romania's president launched by certain publications, accusing the chief of state of having been recruited by the KGB, we find that in spite of the very clear declaration published on 17 May in the president's name, certain politicians and press commentators consider the said declaration insufficient and insist that Romania's president personally take a position.

As regarding these demands, the spokesman's declaration reads: I have been again authorized by Romania's president to solemnly reassert that he has never even been contacted by any special service, Romanian or foreign—including the KGB—much less recruited onto their payroll to deliver pieces of information. The news circulated by certain publications is nothing but sheer fantasy and invention.

The declaration continues by saying, among other things, that the gratuitous accusations irresponsibly circulated by the press are not just an insult addressed to the person who is Romania's president but, especially, are an assault that may cause serious damage to Romanian society by attacking one of the country's fundamental institutions—namely that of head of state—thus marring the dignity of the Romanian state, which the president is called to protect, as well as the population's confidence in the democratic and reform processes we are going through.

Romania's president expresses his hope that reasonable thinking, common sense, and understanding for the perils for all of Romanian society that could be engendered by such behavior will prevail, and that the irresponsibility displayed by certain publications will be met with a proper reaction by the Romanian press itself—concludes the presidential spokesman's declaration faxed to our editorial board.

SPP Chief Accused of Corruption, Immorality

AU2105163295 Bucharest EVENIMENTUL ZILEI in Romanian 16 May 95 p 2

[Speech by PRM chairman Senator Corneliu Vadim Tudor during Romanian Senate plenarry session in Bucharest on 15 May—recorded]

[FBIS Transiated Text] *During yesterday's Senate session, having reached the point on the agenda of senators' declarations, Corneliu Vadim Tudor, chairman of the Greater Romania Party [PRM], presented a document listing several extremely grave accusations against Guard and Protection Service [SPP] director General Dumitru Iliescu [no relation to President Ion Iliescu]. Tudor stated that the document was elaborated on the basis of a 10-point memo that had been sent to him by certain SPP cadres, in Tudor's capacity as member of the Senate Defense Committee. Corruption, influence peddling, and immorality are just a few of the accusations brought against the SPP chief in an unprecedented, harsh attack launched by Tudor, who, in concluding his speech, requested that Gen. Iliescu be suspended from office and his case investigated.*

[Tudor] The PRM is worried about the deteriorating working conditions and atmosphere at the SPP, a situation that recently led to the strange death of a colonel and two noncommissioned officers. In my capacity as Senate secretary and member of the Senate Committee for Defense, Public Order, and National Security, I wish to inform the plenum that today I received a memo sent to me by several SPP employees, a document that contains exceptionally grave accusations against the commander of that service, Maj. Gen. Dumitru Iliescu. From the very beginning I would like to reassure honest SPP workers of our full appreciation. Today I would like to mention just a few of the accusations against this general:

1. His sick obsession and stubbornness makes it almost impossible to cooperate with him.

2. He illegally and out-of-turn promoted and advanced in rank some of his friends, among whom are, for instance, Mircea Radutac, who from the rank of first sergeant became colonel within just a few years and who now serves as Dumitru Iliescu's chief aide.

3. The general employed his own wife at the SPP, although she lacks appropriate training.

4. Gen. Iliescu took along with him, on a 10-day official visit to Paris, waitress Anca Filimon, who seems to be very good at physical combat—although not on the battlefield but in entirely different places.

5. He fraudulently concluded contracts in Belgium purchasing several Opel Vectra-type limousines—as a result of which, rumors have it, certain persons got richer by about $5,000 for each car, although it would have been simpler to buy the vehicles from the Opel dealers in our country. For this reason we request that the bank accounts allegedly opened by Gen. Iliescu with a Belgian bank be checked.

6. No one has any details about the reason for having purchased Jericho-type pistols from Israel despite the

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fact that their quality is poor and they are incompatible with weapons carried by such fighters.

7. They brought into the country from the Republic of Moldova two railway carriages full of 9-mm ammunition that the Moldovans had given away for free, but in the documents registered in Romania the ammunition appears as if it had been paid for. As a matter of fact that is why Colonel Sarau (may God forgive him!) died in a traffic accident. He was hurrying to Braila to collect the 100 million lei that was but a fraction of the profit resulting from a deal that he and Gen. Iliescu had struck with some Bessarabians. Perhaps it is not uninteresting that the officials who investigated his death found 12 gold coins in the colonel's briefcase.

8. We request that Gen. Iliescu's private business affairs be thoroughly investigated, especially those involving certain companies in the area of Strehaia that are manufacturing military equipment for the SPP. The quality of this equipment is very poor, which is also proved by the tragedy of the two noncommissioned officers who went up in flames [after accidentally dropping a crate containing smoke grenades] because their protective clothes were made of synthetic fibers. Obviously, it is not unimportant to mention the fact that Dumitru Iliescu comes from the Strehaia area, and most of the stockholders in his companies there are relatives and friends. At the same time we request that these investigations not be carried out by the same Court of Account Inspectors who have hushed up all the irregularities, in exchange for which they benefited from many advantages—and whom I will reveal as soon as possible.

9. Each SPP employee was made to pay 10,000 lei to improve the food they serve at the officers' mess, amounting to a total of about 20 million lei. The food, however, tastes as bad as before, and no one knows where the money went. 10. It would be in everyone's interest to check the fate of certain foreign-made computers that were imported without paying customs taxes and which, interestingly enough, have landed on the desktops of various private companies.

The list is long, and I could go on like this. However, as a conclusion, the PRM requests that a special parliamentary panel be set up to investigate the illegal dealings of certain SPP chiefs. At the same time we request that Romania's president and the Supreme Defense Council suspend Dumitru Iliescu from office until every angle of the complaints we have received is cleared up.

Rumors About Suicide of Passports Official

AU1805163495 Bucharest ADEVARUL in Romanian 15 May 95 p 1

[Article by Petre Musat: "The Mysterious Suicide of the Deputy Chief of the Passports Directorate"]

[FBIS Translated Excerpt] On Friday 12 May, at around 1300 local time, Lieutenant Colonel Dragos Trascu, aged 44, deputy chief of the General Passports Directorate and of the Border Police in the Ministry of Interior, committed suicide in his office. Lt. Col. Trascu shot himself with his personal hunting rifle, a Russian-made carbine loaded with bullets used for shooting birds.

The victim's body was not discovered until around 1600, lying on the sofa in his office. Since the door of the office was locked, his colleagues had to break it down when they were alerted by the officer's wife, who had been looking for him for several hours and could not find him. The television was switched on in the room. There was a note on one of the tables, in which the victim explained his action, apologizing to his wife and two daughters. [passage omitted]

Shortly after the body was discovered, Lieutenant General George Ioan Danescu, first deputy interior minister, and high ranking officers in the ministry came to the scene of the suicide, on Nicolae Iorga Street, where the Passports Directorate and Border Police headquarters are located. Major General Samoila Joarza, deputy chief of the Military Prosecuting Magistracy of Romania's General Prosecuting Magistracy also arrived there.

Lt. Col. Trascu was highly thought of by his colleagues. He was promoted and transferred to the Passports Directorate and Border Police in 1993, from the Transportation Police Directorate of the General Police Inspectorate. [passage omitted]

Various theories are circulating about the reason for Lieutenant Colonel Trascu's suicide. It is known that in the past few days he was summoned several times to the Ministry of Interior. Similarly, it is no longer a secret that people closely associated with the Office of the Interior Mnister and employees of the Passports Directorate have been involved in the major smuggling affairs discovered in recent weeks.

Customs Service Denies Embargo Breaches

AU1905173895 Bucharest Radio Romania Network in Romanian 1300 GMT 19 May 95

[FBIS Translated Text] The General Directorate of Customs has faxed us a press release referring to the series of press items published by the daily EVENIMENTUL ZILEI entitled "Operation Money for the Party,"

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in which the Romanian customs authorities are accused of, among other things, involvement in the violation of the embargo imposed on Yugoslavia.

The communique says: The Romanian customs authorities, on the basis of UN Resolutions 757 of 1992, 787 of 1992, 820 of 1993, 943 of 1994, and 970 of 1995—as well as [Romanian] government Decisions 771 of 1992, 181 of 1993, 737 of 1994, and 83 of 1995—have operatively and systematically taken specific measures to prevent, uncover, and drastically punish the smuggling of merchandise subject to embargo. Under no circumstances have the Romanian customs authorities participated either directly or indirectly in prohibited import-export operations; rather, it has made constant efforts to thwart such attempts.

The General Directorate of Customs has only authorized the export of merchandise that is specifically authorized by the UN Security Council with its special authorizations, the genuineness of which was painstakingly checked.

We would also like to point out that the Romanian customs bodies are assisted and supported by the personnel of the international assistance mission, as well as those of the Western European Union monitoring Romania's observance of the embargo imposed on the Federal Republic of Yugoslavia. The activity carried out in this domain by the Romanian customs institution in cooperation with the other authorized Romanian government bodies has repeatedly, publicly, and officially been appreciated by these international bodies.

The suspending of customs activities during the night at the Jimbolia border-crossing point is to be interpreted as a preventative measure, fully to prohibit the transportation by rail of goods in that area.

Under such circumstances we consider that the accusations made against Customs are mere allegations based on obviously biased, unfounded, and slanderous reports running counter to journalists' professional ethics—reports that are also harmful, as they deprecate the efforts and sacrifice made by Romania to observe the sanctions established by the UN Security Council.

The General Directorate of Customs will inform the public on the results of its investigations currently under way into other issues raised by EVENIMENTUL ZILEI, says the press communique from that institution and signed by State Secretary Mihai Panzariu.

Eviction Proceedings Begun Against Hungarians

LD2005191595 Budapest Kossuth Radio Network in Hungarian 1600 GMT 20 May 95

[FBIS Translated Excerpt] The approach of [Gheorghe Funar] the ill-famed mayor of Cluj-Napoca to the town's housing problems is based on an ethnic point of view. It seems Funar has found another area where he can provoke Hungarians. Tibor Bogdan reports from Bucharest.

[Bogdan] Funar has started a procedure aimed at evicting [ethnic] Hungarian families who live in the town center. The families in question were put on a blacklist compiled earlier by the mayor of the Hungarian residents who, in his view, live in large apartments in excess of their needs. He said that it was intolerable for Hungarian families to live in larger apartments than they need or are entitled to while the Romanians are forced to live in cramped conditions in modern housing areas.

Several dozen Hungarian families have received summonses to appear before the court on 30 May. The so-called housing cases were launched by the municipal council represented by Funar. [passage omitted]

The Cluj-Napoca court has begun these legal proceedings despite the fact that according to the Romanian housing laws, the organs in charge are under obligation to renew the rent contracts of the tenants for another five years.

Funar: No Hungarians in Cluj

AU1905193495 Bucharest CURIERUL NATIONAL in Romanian 13 May 95 p 3

[Unattributed report: "Funar Does Not Believe the UDMR Will Protest the Archaeological Excavations"]

[FBIS Translated Text] Cluj Mayor Gheorghe Funar dismissed the possibility that the UDMR [Democratic Union of Hungarians in Romania] will initiate civil disobedience actions now that the archaeological excavations in Unirii Square are about to be expanded. In a statement to the MEDIAFAX news agency on Thursday [11 May], Funar explained that this will not happen because "we do not have any Hungarian population in Cluj-Napoca—just Romanians." "There is no law-governed country where political organizations should meddle in archaeology. That is: No normal individual would commit acts of civil disobedience to protest archaeological excavations. Perhaps there could be a few mentally ill persons in Cluj-Napoca, about whom, however, the mayor's office has no knowledge," concluded Funar

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Funar Writes Open Letter of Complaint

AU1905172895 Bucharest Radio Romania Network in Romanian 1000 GMT 19 May 95

[FBIS Translated Text] Gheorghe Funar, president of the Romanian National Unity Party [PUNR], has sent an open letter to Vasile Manea Dragulin, Romania's prosecutor general, in which he cites, quote, the UDMR [Democratic Union of Hungarians in Romania] repeatedly committing certain extremely grave offenses aimed at dividing the territory of the Romanian state by [word indistinct] of territorial autonomy based on ethnic criteria, federalization systems, and to annex certain Romanian territories to Hungary, unquote.

The letter then lists articles of the Romanian Constitution and other laws that, in Funar's opinion, have been violated by the UDMR, thus endangering the democratic institutions of the rule-of-law state.

The passive stance of the Public Ministry with respect to such acts cannot but favor the carrying out and accomplishment of further such acts, with extremely grave consequences for the Romanian state and people, the PUNR leader's letter reads.

Vacaroiu, Sitek Discuss Ethnic Minority Rights

AU1905172995 Bucharest Radio Romania Network in Romanian 0400 GMT 19 May 95

[FBIS Translated Text] Romania and Slovakia will recognize only the individual rights of the ethnic minorities in their relations with Hungary, while fully observing the European standards in that domain—it was asserted yesterday during talks held by Prime Minister Nicolae Vacaroiu and Slovak Defense Minister Jan Sitek that were also attended by Romanian Defense Minister Gheorghe Tinca.

Like Sitek's previous talks with Foreign Minister Teodor Melescanu, during the meeting with Vacaroiu the prospects for the integration of the two states into the Euro-Atlantic security structures were reviewed. Vacaroiu emphasized the important role played by domestic economic and social stability and the strengthening of good neighborly relations in the general process of integration into NATO, says a government press release.

Hungary Accused of 'Manipulating Ceangai'

AU1805200895 Bucharest EVENIMENTUL ZILEI in Romanian 16 May 95 p 4

[Article by Marcela Feraru: "The Interior Ministry Will Not Take Measures Against the Aggressors in Cleja-Bacau"]

[FBIS Translated Text] Following the incidents in Cleja-Bacau during which the representatives of the UDMR [Democratic Union of Hungarians in Romania] were assaulted in public, Vantu Pascu, secretary of state at the Ministry of Interior, said yesterday in the Chamber of Deputies that no measures whatsoever have been taken against the aggressors because the events took place during a manifestation that was not authorized by police.

Pascu said Hungary is carrying out a campaign of manipulating the Ceangai [Csango in Hungarian] in Moldova and that it supplied money for the construction of four Catholic cathedrals in one single county. Likewise, he said that Hungary is disseminating nationalistic literature and is spending immense funds to attract the Ceangai in Moldova.

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Federal

U.S. Congress List Triggers Doubts in Serbia

AU2205095695 Belgrade NASA BORBA in Serbo-Croatian 16 May 95 p 6

[Article by E.N.B.: "Why Have Milosevic, Djukanovic, and Bozovic Been Left Out?"]

[FBIS Translated Text] The publishing of the list of individuals and companies from the Federal Republic of Yugoslavia and the Serb Republic, whose property in the United States was frozen by the American Ministry of Finance on 13 April, has been received with great interest, but also with some dilemmas, among the political parties of Serbia. The dilemmas mostly concern the names of individuals and companies that appear on the list, and how it was still possible to carry out financial transactions abroad despite the sanctions.

However, one thing is clear, at least judging by the opinion of the representatives of parties—the reasons for all this are of a political nature.

The vice president of the Democratic Party, Miroljub Labus, thinks that such an act is yet another aspect "of pressure on official Belgrade, and it is questionable to what degree it is legitimate." He also added: "If you read NASA BORBA carefully, you will see that on the list are the names of both people who do have accounts and of those who do not, in order to prevent any financial transaction. From that list we do not know who does and who does not have an account or property. We can only guess, therefore it is important to have more precise facts." The essence of that decision, Labus said, is that all transactions under the jurisdiction of American authorities have been forbidden to those people.

The spokesman of the Serbian Renewal Movement [SPO], Ivan Kovacevic, put it succinctly: "There is nobody from the SPO on that list, we do not know what sort of money nor how much it is, nor whose money it is, and therefore we do not want to comment." Drasko Markovic, delegate from the Serbian Radical Party, said in his statement for NASA BORBA that from that list "the three names of those who are most involved in crime have been left out—those of Slobodan Milosevic, Milo Djukanovic [prime minister of Montenegro], and Radoman Bozovic [chairman of the chamber of citizens in the federal parliament]." He added that the fact that some people close to those in power are mentioned "means that a hanging rope is being prepared for those who do not fit into the cadre policy of Mira Markovic [wife of Slobodan Milosevic]."

Markovic claims that "it is the first case of making private accounts public, but it would be interesting to bring out the accounts from Cyprus and Greece as well."

"What is eye-catching is the imbalance between the lists of people from the Serb Republic and from Serbia," Zoran Cvijic, the president of the executive committee of the Serbian Liberal Party, said. He believes that this hints at two things. First, there are no leading people from Serbia on the list—meaning Slobodan Milosevic and the people around him. He claims that "if one has in mind the affiliation between power and crime in Serbia, as well as the crime connected with the war, the leaving out of the names of leading Serbian politicians is definitely what shocks the public." The fact that Avramovic, Zecevic, and some other people close to the regime are mentioned, according to him does not mean anything, except that the old habit is repeated—sacrificing the second or the third team, which the Socialist Party of Serbia [SPS] can do very well without. Because—he believes—if Zecevic is mentioned, why is there no mention of the president's brother Borislav Milosevic, who was first the ambassador in Algeria, then the representative of the "Inex" company in Paris and a sort of representative of the Serbian-French bank that was headed by Zecevic.

Another striking thing, as he claims, is the intention to discredit the leadership of the Serb Republic, since its leading people—Karadzic, Koljevic, and Biljana Plavsic—are on the list.

Despite the promise by the representative of the SPS to take a look at the list and to comment on it, they, as was explained to us, had to "go on an urgent trip." Other parties, for the time being, have no official attitude either, until they "have more information on all that."

The president of the Citizens' Alliance of Serbia, Vesna Pesic, told us that, for the time being, the only certain fact is that this list is "a sort of pressure on politicians to sign the peace agreement."

Economic Ties to Russia, Ukraine, PRC Seen

AU2005195295 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 20 May 95

[Interview with Nikola Sainovic, deputy federal prime minister and federal trade minister, by Dusko Petrovic in Belgrade on 20 May—recorded]

[FBIS Translated Text] [Petrovic] Mr. Deputy Prime Minister, it is well known that the Russian Federation and the FRY signed an agreement last year on economic cooperation, which gave our country the status of the most favored nation. In February, Minister Oleg Davidov visited Belgrade, and recently in Moscow you again held talks with him. How do you assess the level of economic cooperation between Yugoslavia and Russia under these circumstances, with the economic sanctions against our country?

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[Sainovic] The sanctions are of course causing enormous damage to both countries, and are preventing our economic cooperation from reaching the level we would wish. Despite that, these contacts that have now become regular are creating the conditions for us to build upon our relations and build a systematic series of agreements that will in time envelop all spheres of economic cooperation, and become the infrastructure for our economic relations for the period following the sanctions.

[Petrovic] It is well known, Mr. Deputy Prime Minister, that the Ukrainian economists and the official Kiev are demanding the lifting of the sanctions against our country. How do you assess the prospects for economic relations between the two countries and their development, keeping in mind the fact that sanctions are in place against the FRY?

[Sainovic] The contacts that we have established, and particularly the very detailed talks we held in Kiev and during the recent visit by the Ukrainian communications minister to Belgrade, show how great the possibilities are for our cooperation on the one hand; on the other hand they show how extensive the damage that the sanctions have inflicted on both countries is. Our contacts and activities in the period of the sanctions simply show the unity of our foreign and economic policies. They also contribute to the struggle for the creation and strengthening of the awareness that the lifting of the sanctions is necessary, not only generally but also in concrete cases from country to country—as many details that are revealed in these talks show—and I am convinced that such activities cannot fail to produce results.

[Petrovic] The FRY and the PRC recently signed an agreement on scientific, technical, and cultural cooperation. Serbian Prime Minister Mirko Marjanovic recently received an official invitation to visit China and the northern Chinese province of Heilungkiang. How do you assess the present level of economic relations between our two countries, and the prospects for relations during the sanctions and afterward?

[Sainovic] You know, now and after the sanctions the neighboring countries of Russia and China are, and will be, our country's first partners. This is natural in building these relations, particularly with the countries that have had a realistic and balanced approach toward the Yugoslav crisis. We are using these hard times to establish contacts, to create a legal infrastructure for our economic relations in order to reach agreements that will make our relations stable and longstanding, and for contacts established by many of our companies that will realize both long-term interests but also immediate ones. [sentence as heard]

[Petrovic] Thank you very much, Mr. Deputy Prime Minister.

Serbia

Percevic Talks With Ukraine's Oleynik Viewed

AU2105150595 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 21 May 95

[Report by Tamara Motrenko on statements made by Goran Percevic, deputy chairman of the Socialist Party of Serbia, and Boris Oleynik, chairman of the Ukrainian parliamentary commission for foreign affairs, in Belgrade on 21 May—recorded]

[FBIS Translated Text] [Percevic] I would like to say that the talks were open and cordial, and that this was an opportunity to thank Mr. Oleynik for everything that he personally and Ukraine did in effecting a more objective attitude by the international community with a view to lifting the sanctions against our country, and helping it come out of isolation.

These talks took place in a spirit of good and friendly relations, which are constantly improving, between our country and Ukraine. This was also an opportunity for us to discuss relations between our two parties, considering the fact that Mr. Oleynik is the representative of the strongest political group in the Ukrainian Parliament, that is, the strongest political force in the Ukrainian Parliament.

[Motrenko] Have their been any new and concrete agreements on further cooperation, particularly as concerns lifting the sanctions and a return parliamentary visit?

[Percevic] We have discussed the two issues, as I have said, and there have been concrete agreements, but I will let Mr. Oleynik say something about that.

[Oleynik in Russian with superimposed Serbo-Croatian translation] I would first like to express my gratitude for being invited here. I came here as if I were coming home. I have known Serbia and Yugoslavia ever since I was a young man, and I consider it to be my duty, wherever I may be, to defend my Serbian brothers and sisters from this injustice imposed on them by third countries, third sides. No nation, no country, regardless of how large it is, has the right to punish another nation, particularly not our brother and sister Serbs.

We have been following a consistent policy directed at having the sanctions lifted against Yugoslavia, and not because of emotional reasons [words indistinct]. You have heard of the recent statement by our representatives that the sanctions must be lifted against Serbia. [Word

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indistinct] in that direction [word indistinct] and Serbia can make a generous gesture in return. Pressure will not work on Serbia. As the Spanish would say: No pasaran.

This proud nation knows how to defend itself. One should work in a peaceful manner, and there are ways to do this. My country has undertaken adequate steps in the United Nations and other institutions to get the embargo against Yugoslavia lifted. It will happen. Life itself dictates this. It is inhuman, unnatural to inflict damage on anyone, and no one has the right to do that. All nations are equal.

B-H Recognition 'Beginning of Milosevic's End'

AU2005173095 Belgrade NASA BORBA in Serbo-Croatian 19 May 95 p 3

[Report by D.P.: "Beginning of Milosevic's End"]

[FBIS Translated Text] Belgrade—"After betraying the Serbs in western Slavonia, the president of Serbia is preparing to betray the Bosnian Serbs, since he is about to recognize Bosnia-Herzegovina within its AVNOJ [Anti-Fascist Council of National Liberation of Yugoslavia] borders, which is an irrational political move but also marks the beginning of Milosevic's end," Nikola Milosevic, chairman of the Serbian Liberal Party [SLS], said at yesterday's news conference.

Referring to the role of the U.S. Administration in the search for a solution to the Yugoslav crisis, Milosevic wondered why the Americans took Milosevic as their chief negotiator, when he was only the president of one republic within the federal state, and why they negotiated with Izetbegovic when his presidential mandate had expired. "We wonder what would happen if, for example, the president of California [as published] were to negotiate on behalf of the United States, and what the comments would be if Clinton were to rule just one day over his mandate," Milosevic said, adding that it was obvious that the United States only applied democratic principles for internal use.

SLS spokesman Zika Bogdanovic concluded that the decision by the court in The Hague to assume the investigation of Bosnian Serb leaders, and the freezing of their property in the United States, were a form of political pressure.

Seselj Tells Rally Milosevic Regime Must Fall

LD1905215195 Belgrade SRNA in Serbo-Croatian 2056 GMT 19 May 95

[FBIS Translated Text] Novi Sad, 19 May (SRNA)—Over 20,000 people of Novi Sad today took part in a rally in support of the Serbs living west of the Drina, stressing the need for an urgent and definitive union of all Serbian lands in a single and indivisible state.

"The time has come, following this dirty political betrayal and the surrender of western Slavonia, to do away with the power of the Socialist Party and Slobodan Milosevic's regime in Serbia," said Vojislav Seselj, chairman of the Serbian Radical Party of Serbian Lands [Srpska Radikalna Stranka Srpskih Zemalja—SRS]. His party organized the rally.

Seselj stressed that "as of today the SRS is struggling to change the communist order, in order, primarily, to prevent betrayals of Serbian national interests and create a modern democratic society."

In his words, "it was Slobodan Milosevic's communist regime which did not come to the defense and protection of the Serb people in this part of Krajina—although it was dutybound to do so under the Vance plan—and which is responsible for the loss of western Slavonia, the exodus of Serb population and about 2,000 innocent people who were killed in the latest Croatian aggression."

Seselj expressed a fear that the Serbian authorities, motivated by a delusory hope that international sanctions will be lifted, will tighten the blockade of the Serb Republic and surrender the remaining parts of Krajina to Croatia, thus creating a political alibi for state recognition of Croatia and ex-Bosnia-Herzegovina within their communist borders.

Apart from SPS deputies from Novi Sad to the federal and the republican assembly the rally was also addressed by Maja Gojkoviv, the party's deputy chairwoman, and Nikola Poplasen and Drago Bakrac, the party leaders from the Serb Republic and Montenegro. Today's rally outside the Serbian National Theater in Novi Sad passed off without incidents. A similar rally is scheduled to take place in Belgrade on 17 June.

Krajina Leaders Blamed for Fall of Slavonia

AU1905162095 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 19 May 95

[Report by Biljana Jeremic on Serbian Radical Party-Nikola Pasic "regular" news conference]

[FBIS Translated Text] The Serbian Radical Party-Nikola Pasic does not agree that the responsibility for the fall of Western Slavonia should fall completely on General Milan Celeketic and the military leadership. According to the constitution and the law, the president of the Republic of Serb Krajina and the entire leadership are also responsible, party leader Jovan Glamocanin said.

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Talking about Tudjman's visit to Germany, Glamocanin said that Germany has completely removed its mask over the events in former Yugoslavia. It had been concealing that it was sponsoring Croatia, but with the statements that only parts of northern Dalmatia, Lika, Kordun, and Banija will have autonomy, while other regions will be under Croatia's authority, it has revealed that it is behind all Croatia's moves.

Commenting on his visit to Russia as a member of the Federal Assembly delegation, Glamocanin stressed that Russia is changing its global policy and that the majority of the former USSR states have shed their illusions on the West's comprehensive economic help and realized that they would be better off in economic unity with Russia. The view was also expressed that the sanctions on the Federal Republic of Yugoslavia should be lifted.

Commenting on Seselj's intention to hold a rally in Belgrade, Glamocanin said that this represented an act aimed against Serbian national interests, because, by inviting the Serbs from the Krajinas to take part in the rally, he is inviting different sections of the Serb people to fight one another and is weakening the overall military capability during difficult times for the Serbian people.

Montenegro

Effects of Sanctions on Maritime Economy Viewed

LD2205092595 Belgrade TANJUG in English 0837 GMT 22 May 95

["Ecopool" item]

[FBIS Transcribed Text] Podgorica, May 22 (TANJUG)—The maritime economy of the Yugoslav Republic of Montenegro has lost about 300 million dollars so far because of the sanctions imposed against Yugoslavia by the international community three years ago.

Almost the entire fleet of 33 vessels, with a total capacity of about 840,000 tons, is anchored in foreign ports.

Since the sanctions were imposed in May 1992, Montenegrin shipping firms have sold eight vessels for 34 million dollars. More than 900 employees have left Montenegrin shipping firms and are now working on foreign vessels.

The federal and republican governments have earmarked about 15 million dollars to save the fleet, and the Yugoslav National Bank has secured a hard currency loan of about 30 million dollars.

This significant hard currency 'infusion,' however, has not helped the Montenegrin fleet much, since it is completely paralysed and unengaged.

Kosovo

Rugova Recalls Bush, Clinton Warning on Conflict

AU1905203395 Pristina KOSOVA DAILY REPORT in English 19 May 95

[FBIS Transcribed Text] In the beginning of today's press conference, President of the Republic of Kosova, Dr. Ibrahim Rugova, made an account of the Serbian repression in Kosova over the past week, taking mention of many cases of arbitrary detention, home searches for weapons, and harassment of political, educational and humanitarian activists.

President Rugova repeated his request for an immediate cessation of framed trials of former Kosova policemen and their release. He also called on the Serbs living in Kosova to restrain from provoking their Albanian neighbors. President Rugova denounced the closing down of the Albanian-owned shops by Serb authorities and the ever-increasing campaign for the recolonization of Kosova with Serbs.

Condemning the recent killing of a citizen of Albania by the Serbian military forces in Albanian territory, President Rugova said: "This border, between Albanian and Kosova, is the last 'Berlin Wall' in Europe."

President Rugova said today that Kosova continued to be present in the international institutions as a problem which requires a just and acceptable solution.

The Belgrade-based NASA BORBA correspondent asked whether an Albanian-Serbian dialogue was going to begin soon. President Rugova said: "We have been continuously committed to a genuine and an equal dialogue between the Albanian and Serbian side. We hope that dialogue on an equal footing will take place soon, because it is in the interest of both Albanians and Serbs."

Asked to comment the international community's efforts to change the status quo in Kosova, President Rugova said that there is a status quo in the entire territory of former Yugoslavia. "There is a war status quo in Bosnia and Croatia, whereas in Kosova there is a status quo of violence. Therefore, the international community has been doing its utmost to find solutions to these issues. As to Kosova, it is important that an earlier warning of former U.S. President Bush and later President Clinton that conflict in Kosova will not be allowed is still very strong. It is also very important that there are genuine efforts for a global political solution to all the crises in former Yugoslavia," President Rugova underscored.

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Increase in Serbian Police Oppression Seen

AU1905204995

[FBIS Editorial Report] Pristina KOSOVA DAILY REPORT in English No 617 on 18 May carries several reports on "stepped up" Serbian police "oppression" in Gnjilane, Vucitrn, Urosevac, and other areas in the province.

It is reported that over the past days, the Serbian police have "stepped up" their violence against Albanian political and health-care activists, as well as residents in the Gnjilane Municipality. On 16 and 17 May, the Serbian police detained the chairman of the Municipal Finance Committee and the chairman of the health-care bureau in Gnjilane, who were "cross-examined" about the activities of their institutions and "threatened" with "persecution" unless they resigned. On 16 May, the Serbian police raided the home of a journalist and writer, who was ordered to report to the local police station in the village of Zhegkr. The journalist, a former political prisoner, had been harassed by the Serbian police several times in the past.

The Democratic League of Kosova (LDK) Information Commission in Gnjilane reports today that over the past two days, at least "a dozen of Albanian families" in Gnjilane and surrounding villages had their homes "raided" under the pretext of "arms searches." Seven residents of the village of "Zhegkr" and three from the village of "Brasalc" were ordered to report to the police station in alleged connection with "arms possession."

Another report from Gnjilane states that the "staged" trial against 28 ethnic Albanians, former employees with the former Kosova police force, charged with having "allegedly been involved in setting up a parallel police force in Kosova," resumed at the Serbian-run District Court in Gnjilane on 17 May. All the defendants denied the charges against them, stating that "they had never been involved in establishing any parallel police force in Kosova" and that they had heard about the "alleged ministry of interior of Kosova" only after being arrested by the Serbian police. One of the defense attorneys told the court that his client had been "beaten up" by a state security officer last Monday. All the defendants at the trial spoke about "severe tortures" that they were subject to at Serbian state security premises during the investigations. They were beaten "brutally," "tortured for days by the Serbian state security officers," and "ordered to sign self-incriminating statements."

It is also reported that this morning a Serbian police patrol raided the secondary school in Vucitrn. Sources in Vucitrn say that the Serbian police "intruded into the classrooms, breaking up classes and intimidating students and teachers." Over the past months, the Serbian police have "stepped up violence" against Albanian schools in this small Kosovar town and the school has been raided at least half a dozen times by the Serbian police.

Sources from Urosevac report that a Serbian police patrol raided the local elementary school in Zaskok village and arrested a teacher, giving "no explanation" for his arrest. The teacher is still being held "in custody."

A report from Kamenica notes that two members of the municipal government were reported as "detained" by the Serbian police and were questioned about the "municipal government's operation."

The Serbian police also arrested a youngster at his home in the village of "Balinck" in Vucitrn and immediately sent him to the Serbian army barracks in Mitrovica.

A report from Urosevac says that on 11 May, the Serbian police arrested four residents of the village of Slivove, who were "ill-treated" for several hours in "connection with arms possession." It is also reported that Hamiz Muhadini, presidency member of the local LDK branch in Urosevac, was detained by the Serbian police two days ago. He was interrogated about "his political activities" and ordered to hand over a revolver that he "allegedly was in possession of."

A report from "Obiliq" notes that on 15 May, five residents in the village of "Sibovc" were detained by the Serbian police under the pretext of searching for weapons. Under the same pretext, the Serbian police summoned six people to report to the police station. The police also raided the houses of two Albanians in the villages of "Plemetin" and "Sibovc" searching for arms.

Cases Cited

AU2005202995

[FBIS Editorial Report] Pristina KOSOVA DAILY REPORT in English No 618 on 19 April carries several reports rendering accounts of human rights abuse and mistreatment of Albanians by the Serbian police.

On 15 May, the Prishtina-based Council for the Defense of Human Rights and Freedoms (CDHRF) issued a report on "human rights abuses" by the Serbian regime in Kosova. The report notes that "at least 1,048 Albanians in Kosova were subject to various forms of Serbian police ill-treatment during April"; one ethnic Albanian, father of three children, "died of torture" at the Serbian police custody in Mitrovica.

It is also reported that "318 persons were beaten up, 372 were arrested, 230 others were ordered to report at Serbian police stations, while 28 persons were sentenced

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to short or long prison terms. During April alone, as many as 189 Albanian families had their homes raided on by the Serbian police, mostly in connection with arms searches."

The report says that children, women and old persons were also "targeted" by the Serbian police. Four children, 18 women, and 11 persons aged between 60 and 90 were "beaten up" by the Serbian police under various excuses. Local Albanian political leaders, as well as educational and human rights activists were likewise subjected to "Serbian police treatment" over the last month. The police intervened against Albanian schools on nine occasions, mistreating and "intimidating" dozens of pupils, students, and school teachers. The CDHRF report, signed by chairman Adem Demaci, also notes that during last month, nine cases have occurred in Kosovo, in which the Serbian police have been taking people "hostage" in cases where the persons being hunted down by the police were not found at their homes.

The Democratic League of Kosova [LDK] sources report that on the morning of 19 May, the Serbian police detained Sali Hoti, secretary of the LDK branch in Orahovac, who was interrogated by the police about the "activities of the District Education Funding Council and the political activities of the LDK in the region."

A monthly report issued on 19 May by the LDK Information Commission in Malisevo says that, mostly under the pretext of searching for weapons, the Serbian police mistreated and tortured over 126 persons in Malisevo district during April. The Serbian police raided over 33 Albanian families, on most occasions harassing the family members and destroying a lot of furniture. The Serbian military authorities arrested a young Albanian from Dragobil village and "forcefully" sent him to the Serbian Army. The police also distributed military conscript summons to 40 other Albanian youngsters. The Serbian police also raided the premises of local primary schools in Drenoc and Dragobil villages, as well as the secondary school in Kijeve.

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